THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Excel Score Limited

(Incorporated in the British Virgin Islands with limited liability)

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

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

Financial Adviser to Excel Score Limited

Optima Capital Limited

Financial Adviser to FlexSystem Holdings Limited

VEDA | CAPITAL 智略資本

Independent Financial Adviser to the Independent Board Committee

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

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital is set out on pages 6 to 13 of this Composite Document.

A letter from the Board is set out on pages 14 to 19 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 20 to 21 of this Composite Document.

A letter from Cinda International containing its advice on the Offer to the Independent Board Committee is set out on pages 22 to 39 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out on pages 40 to 46 in appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 6 May 2011 or such later time and/or date as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code.

This Composite Document will remain on the GEM website at www.hkgem.com and on the website of the Company at www.flexsystem.com as long as the Offer remains open.

15 April 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.

CONTENTS

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

	2011
Despatch date of this Composite Document and commencement date of the Offer *(Note 1)*	Friday, 15 April
Latest time and date for acceptance of the Offer *(Note 2)*	4:00 p.m. on Friday, 6 May
Closing Date *(Note 2)*	Friday, 6 May
Announcement of the results of the Offer to be posted on the website of the Stock Exchange *(Note 2)*	not later than 7:00 p.m. on Friday, 6 May
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Note 3)*	Monday, 16 May

Notes:

1. The Offer, which are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.

2. The Offer, which are unconditional, will be closed on the Closing Date. The latest time for acceptance is at 4:00 p.m. on Friday, 6 May 2011 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Friday, 6 May 2011 stating whether the Offer have been revised or extended or have expired. In the event that the Offeror decides that the Offer will remain open until further notice, at least 14 days' notice by way of an announcement will be given before the Offer are closed to those Independent Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be made as soon as possible, but in any event within 10 days after the date of receipt by the Registrar, from the Independent Shareholders accepting the Offer, of the valid requisite documents.

   Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in appendix I to this Composite Document.

Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and dates.

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

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"associates"	has the meanings ascribed to it under the GEM Listing Rules and the Takeovers Code (as appropriate)
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Circular"	the circular published by the Company on 16 March 2011 containing, among other things, details of the Disposal, the special deal in respect of the Disposal, the Distribution and the Reorganisation
"Closing Date"	6 May 2011, the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer are extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"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
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company, which sets out, among others, details of the Offer
"Directors"	directors of the Company
"Disposal"	the disposal of the entire issued share capital of SomaFlex International Inc. pursuant to the terms of the Disposal Agreement

"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 entire issued share capital of SomaFlex International Inc.
"Disposal Completion"	completion of the Disposal in accordance with the terms of the Disposal Agreement
"Distribution"	a special dividend of HK$0.0693 per Share, amounting in aggregate of HK$41.58 million, to be distributed by the Company to the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 8 April 2011, being the record date for the payment of the special dividend
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegates of the executive director
"Form of Acceptance"	the form of acceptance and transfer of the Share(s) in respect of the Offer
"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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Board Committee"	the independent committee of the Board comprising all the non-executive Directors to advise the Independent Shareholders on the terms of the Offer
"Independent Financial Adviser" or "Cinda International"	Cinda International Capital Limited, a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, who has been appointed as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Offer
"Independent Shareholders"	Shareholders other than the Offeror Group

"Joint Announcement"	the announcement jointly published by the Company and the Offeror dated 18 February 2011 in relation to, among other things, the Disposal and the transactions contemplated thereunder, the Reorganisation, the Distribution and the Offer
"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"	13 April 2011, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Mr. Pong"	Mr. Pong Wai San, Wilson, the ultimate beneficial owner and the sole director of the Offeror and the Guarantor
"Offer"	the mandatory unconditional cash offer 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 is being 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
"Overseas Shareholder(s)"	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is/(are) outside Hong Kong

"PRC"	the People's Republic of China which, for the purpose of this Composite Document, 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 registar of members of the Company at the close of business on the record date for the payment of Distribution, i.e. 8 April 2011
"Registrar"	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company
"Relevant Period"	the period commencing six months preceding 18 February 2011, being the date of the Joint Announcement, and ending on and including the Latest Practicable Date
"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 Professional Computer Limited) 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 business involving the development and sale of enterprise software and the provision of maintenance services from the Remaining Business such that, when completed, will result in (i) the Remaining Group principally engaging in the Remaining Business; (ii) SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) principally engaging in the business involving the development and sale of enterprise software and the provision of maintenance services; and (iii) no inter-company balance existing between the Remaining Group and SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited)

"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) 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$0.10 each in the issued share capital of the Company
"Share Agreement"	the sale and purchase agreement dated 5 January 2011 entered into among the Offeror, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares
"Shareholders"	holders of the Shares
"SomaFlex Holdings"	SomaFlex Holdings Inc., a company incorporated in the BVI with limited liability which is approximately 98.27% beneficially owned by the Vendor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Veda Capital"	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Company in respect of the Offer
"Vendor"	Mr. Lok Wai Man, an executive director of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

Optima Capital Limited
Suite 1501, 15th Floor
Jardine House
1 Connaught Road
Central
Hong Kong

15 April 2011

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 18 February 2011, the Offeror and the Company jointly announced that pursuant to the Share Agreement dated 5 January 2011 entered into among the Offeror (as purchaser), the Vendor and the Guarantor, the Vendor conditionally agreed to sell and procure the sale of, and the Offeror conditionally agreed to acquire, an aggregate of 479,298,000 Shares (as to 3,798,000 Shares personally and beneficially owned by the Vendor and as to 475,500,000 Shares beneficially owned by SomaFlex Holdings), representing approximately 79.88% of the entire issued share capital of the Company. The total consideration for the Sale Shares is HK$126,400,000, which was agreed between the Offeror and the Vendor after arm's length negotiation and represents approximately HK$0.26372 per Sale Share.

The Completion took place on 13 April 2011 and immediately following the Completion, the Offeror Group was 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 is 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.

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Remaining Group. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to this Composite Document of which this letter forms part, and the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from Cinda International" as set out in this Composite Document.

MANDATORY UNCONDITIONAL CASH OFFER

Prior to the Completion, the Offeror Group was not interested in any Shares. As at the Latest Practicable Date, and as a result of the acquisition of the Sale Shares, the Offeror Group was 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.

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

Principal terms of the Offer

Optima Capital, the financial adviser to the Offeror, is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . HK$0.26372 in cash

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

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takovers Code. The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

Comparison of value

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

(i) a premium of approximately 10.34% over the closing price of HK$0.2390 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 9.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK$0.2404 per Share;

(iii) a premium of approximately 11.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK$0.2359 per Share;

(iv) a premium of approximately 238.10% over the audited consolidated total equity attributable to Shareholders of approximately HK$0.078 per Share as at 31 March 2010; and

(v) a discount of approximately 60.64% to the closing prices of HK$0.670 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest price

The highest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.690 per Share on 11 April 2011. The lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period was HK$0.190 per Share on 1 September 2010.

Value of the Offer

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

Financial resources available to the Offeror

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

Effects of accepting the Offer

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

Stamp duty

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher and to be round up to the nearest HK$1,000, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

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

Dealing and interests in the Company's securities

Save for the acquisition of the Sale Shares under the Share Agreement, no member of the Offeror Group has dealt in any Shares during the Relevant Period. As at the Latest Practicable Date, save for the Sale Shares, the Offeror Group did not hold, own or control any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer, and there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

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

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

Overseas Shareholders

As the Offer made to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should inform themselves of and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Independent Shareholders, in respect of such jurisdiction).

Acceptances of the Offer by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders are recommended to seek professional advice on whether or not to accept the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company and is beneficially and wholly owned by Mr. Pong. The principal activity of the Offeror is investment holding. As at the Latest Practicable Date, Mr. Pong was the sole director of the Offeror.

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

INFORMATION ON THE GROUP

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

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

OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue the Remaining Business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees of the Remaining Group by reason only of the Offer. The Offeror also has no intention to re-deploy the remaining fixed assets of the Remaining Group. 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. In view of the foresaid, the Offeror is of the view that the Offer is in its long-term commercial interest. As at the Latest Practicable Date, the Offeror had no intention or plan for any acquisition or disposal of assets and/or business by the Group. As at the Latest Practicable Date, the Offeror has neither entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets nor has any assets injection agreed or under negotiation.

PROPOSED CHANGE OF BOARD COMPOSITION

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

The Offeror intends to nominate new Directors to the Board in accordance with the Takeovers Code. The Offeror is considering to nominate new Directors after the close of the Offer. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made accordingly.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. As at the Latest Practicable Date, the Offeror Group was 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, was 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. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

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.

As at the Latest Practicable Date, the Company and the Offeror have not finalised any arrangement to restore the public float.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

GENERAL

Acceptance of the Offer by the Independent Shareholder(s) will be deemed to constitute a warranty by such person to the Offeror that such Offer Share(s) acquired under the Offer are sold by the Independent Shareholders free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on or after the date of Completion or subsequently becoming attached to it, including, without limitation, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the date of Completion (but excluding any entitlements to the Distribution).

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold any Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. The attention of the Independent Shareholders with registered addresses in jurisdiction outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of
OPTIMA CAPITAL LIMITED
Mei H. Leung
Chairman

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

15 April 2011

To the Independent Shareholders

Dear Sir and Madam,

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

INTRODUCTION

On 18 February 2011, the Offeror and the Company jointly announced that pursuant to the Share Agreement dated 5 January 2011 entered into among the Offeror (as purchaser), the Vendor and the Guarantor, the Vendor conditionally agreed to sell and procure the sale of, and the Offeror conditionally agreed to acquire, an aggregate of 479,298,000 Shares (as to 3,798,000 Shares personally and beneficially owned by the Vendor and as to 475,500,000 Shares beneficially owned by SomaFlex Holdings), representing approximately 79.88% of the entire issued share capital of the Company. The total consideration for the Sale Shares is HK$126,400,000, which was agreed between the Offeror and the Vendor after arm's length negotiation and represents approximately HK$0.26372 per Sale Share.

The Completion took place on 13 April 2011 and immediately following the Completion, the Offeror Group was 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 is 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 purpose of this Composite Document is to provide you with, among other matters, information relating to the Company, the Offeror and the Offer as well as to set out the "Letter from the Independent Board Committee" containing its recommendation to the Independent Shareholders in respect of the Offer and the "Letter from Cinda International" containing its advice to the Independent Board Committee in respect of the Offer.

MANDATORY UNCONDITIONAL CASH OFFER

Prior to the Completion, the Offeror Group was not interested in any Shares. As at the Latest Practicable Date, and as a result of the acquisition of the Sale Shares, the Offeror Group was 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.

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

Principal terms of the Offer

Optima Capital, the financial adviser to the Offeror, is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . HK$0.26372 in cash

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

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takovers Code. The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

Further details of the Offer

Further details of the Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the "Letter from Optima Capital", Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

Upon Disposal Completion on 13 April 2011, the Group is engaged in the Remaining Business, i.e. provision of system integration services and other value-added technical consultation services and hardware-related business.

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.

As set out in Appendix III to the Circular, the Remaining Group (taking into account the effect of completion of the Disposal and after the Distribution) has a pro forma unaudited net asset value attributable to equity holders of the Remaining Group of approximately HK$8.19 million as at 30 September 2010.

Further information in relation to the Group is set out in Appendices II and III to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company (i) immediately before Completion; and (ii) as at the Latest Practicable Date.

	Immediately before Completion		**As at the Latest Practicable Date**	
	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 Group *(Note 3)*	–	–	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.

Note 3: Immediately following the Completion and as at the Latest Practicable Date, the Offeror was interested in 306,000,000 Shares, representing 51% of the entire issued share capital of the Company while Mr. Pong was personally interested in 173,298,000 Shares, representing approximately 28.88% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Offeror was beneficially and wholly owned by Mr. Pong.

Each of Mr. So and Mr. Chow did not intend to accept the Offer in respect of his own beneficial holdings of Shares and the remaining Directors were not interested in any Shares after the Completion.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Optima Capital" on page 6 of this Composite Document.

FUTURE INTENTION OF THE OFFEROR ON THE GROUP

It is the intention of the Offeror that the Group will continue the Remaining Business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees of the Remaining Group by reason only of the Offer. The Offeror also has no intention to re-deploy the remaining fixed assets of the Remaining Group. The Board has noted the intention of the Offeror in respect of the Group and its employees and is willing to render cooperation and support to the Offeror as regards to the Offeror's intention on the Group which are in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the section headed "Offeror's Intention on the Group" in the "Letter from Optima Capital" on page 11 of this Composite Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. As at the Latest Practicable Date, the Offeror Group was 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, was 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. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

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.

As at the Latest Practicable Date, the Company and the Offeror have not finalised any arrangement to restore the public float.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Cinda International, respectively, which set out their recommendations and opinions in relation to the Offer and the principal factors considered by them before arriving at their recommendations.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

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

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

15 April 2011

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to the composite offer and response document (the "Composite Document") dated 15 April 2011 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance.

Cinda International has been appointed as the independent financial adviser to the Independent Board Committee to advise us in respect of the terms of the Offer and as to acceptance. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from Cinda International" on pages 22 to 39 of this Composite Document.

RECOMMENDATION

Having taken into account the terms of the Offer and the advice of Cinda International, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and, accordingly, we recommend the Independent Shareholders to accept the Offer.

Yours faithfully,
for and on behalf of the
Independent Board Committee

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

The following is the text of a letter of advice from Cinda International, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into the Composite Document, setting out its advice to the Independent Board Committee in connection with the Offer.

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 111)

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

15 April 2011

To the Independent Board Committee
of FlexSystem Holdings Limited

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in connection with the Offer, details of which are set out in the Composite Document, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 18 February 2011, the Offeror and the Company jointly announced that pursuant to the Share Agreement dated 5 January 2011 entered into among the Offeror (as the purchaser), the Vendor and the Guarantor, the Vendor conditionally agreed to sell and procure the sale of, and the Offeror 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. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is 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 principal terms of the Offer are set out under the section headed "**MANDATORY UNCONDITIONAL CASH OFFER—Principal terms of the Offer**" of the "letter from Optima Capital" in the Composite Document. Optima Capital is making the Offer for and on behalf of the Offeror.

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, an independent board committee comprising all the non-executive Directors who have no direct or indirect interest in the Offer should be constituted to advise the Independent Shareholders on the Offer. Accordingly, the Independent Board Committee, comprising Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David, all being the non-executive Directors without any conflict of interest in the Offer, has been formed to consider and advise the Independent Shareholders in respect of the Offer. As mentioned in the Joint Announcement, we have been appointed by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in connection with, among other things, the Offer and in particular as to whether the terms of the Offer are fair and reasonable and to give an opinion and recommendation as regards the acceptance of the Offer.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Composite Document and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Composite Document and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate as at the date of the despatch of the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances 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 to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Composite Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and the Offeror.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or non-acceptance of the Offer since they vary depending on respective individual circumstances. The Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

The letter is issued to the Independent Board Committee regarding the Offer for their information only, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

(A) Background

On 18 February 2011, the Offeror and the Company jointly announced that pursuant to the Share Agreement dated 5 January 2011 entered into among the Offeror (as purchaser), the Vendor and the Guarantor, the Vendor conditionally agreed to sell and procure the sale of, and the Offeror 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, at consideration of HK$126,400,000 (equivalent to HK$0.26372 per Sale Share). The Completion took place on 13 April 2011.

Prior to the Completion, the Offeror Group was not interested in any Shares. As at the Latest Practicable Date, the Company had 600,000,000 Shares in issue and does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company. As at the Latest Practicable Date, the Offeror Group was 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 is 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.

(B) Business and financial performance of the Remaining Group

Financial review of the Remaining Group

For information purpose, we reproduce the financial review of the Remaining Group, details of which was disclosed in Appendix I to the Circular, as follows:

Financial Review for the year ended 31 March 2008

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 was decreased from 31.6% as of the last year to 29.5% for the year under review. The decrease 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 the year 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 review for the year ended 31 March 2009

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 decreased 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, which was mainly due to the increase in distribution expenses and lower profit margin.

Financial review for the year ended 31 March 2010

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, which was principally due to the decrease of turnover.

Financial review for the six months ended 30 September 2010

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 position of the unaudited pro forma Remaining Group

For illustrative purpose, we set out below the unaudited pro forma consolidated financial position of the Remaining Group as at 30 September 2010 (assuming the Disposal and the Distribution had taken place on 30 September 2010), details of which are set out in Appendix III to the Circular.

Table B

	Unaudited pro forma Remaining Group as at 30 September 2010 *(HK$'000)*
Non-current assets	
Property, plant and equipment	26
Available-for-sale financial assets	651
	677
Current assets	
Inventories	15
Trade and other receivables	2,602
Balance balances and cash	8,732
	11,349
Total assets	12,026
Current liabilities	
Trade and other payables	3,835
Net current assets	7,514
Net assets	8,191
Capital and reserves	
Share capital	60,000
Reserves	(51,742)
Capital and reserves attributable to equity holders of the Company	8,258
Non-controlling interests	(67)
Total equity	8,191

As at 30 September 2010, the unaudited pro-forma equity holders' funds of the Remaining Group amounted to HK$8,258,000. Current assets were HK$11,349,000, mainly comprising bank balances and cash of HK$8,732,000 and trade and other receivables of HK$2,602,000. Current liabilities were approximately HK$3,835,000, all of which were from trade and other payables. The unaudited pro-forma net asset value attributable to the Shareholders per share was approximately HK$0.0138 (based on the total number of issued Shares as of 600,000,000 at the Latest Practicable Date). As at 30 September 2010, the Remaining Group did not have any borrowings and long-term debts.

Prospects and outlook of the Remaining Group

We note from the 2010/2011 third quarterly report that the business environment during the period under review was challenging. We have discussed with the management of the Company and were given to understand that the market competition with respect to system integration services and other value-added technical consultation services and hardware related business will remain intense in the years ahead. Meanwhile, the inflationary pressure in Hong Kong is obvious and will place more pressure on the business operation of the Remaining Group.

We note that the Remaining Group has been looking for appropriate business opportunities through partnership for better earning and growth potential. We also note that the Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees of the Remaining Group by reason only of the Offer. The Offeror also has no intention to re-deploy the remaining assets of the Remaining Group. The Offeror will conduct a more detailed review on the operations of the Remaining Group with a view to developing a corporate strategy to broaden the income stream of the Remaining 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 Remaining Group will be appropriate for the development of the Remaining Group. As at the Latest Practicable Date, there are no further details in respect of the review and corporate strategy and in particular, the plans for the potential partnership or broadening of the income stream of the Remaining Group and as such, the effects arising from the implementation of such plans, if any, have yet to be demonstrated. We also note that the scale of business operations, range of business products and services and net asset value of the Remaining Group would be reduced after the completion of the Reorganisation, Disposal and Distribution.

In view of the fact that (i) the Remaining Group recorded loss attributable to equity holders of the Company for each of the three financial years ended 31 March 2010 and the six months ended 30 September 2010; (ii) the market competition in respect of the Remaining Business remains intense as the Remaining Group reported a continued decrease in gross profit for the three financial years ended 31 March 2010; (iii) the absence of further details in respect of the plans for the potential partnership or broadening of the income stream of the Remaining Group and the effects arising from the implementation of such plans, if any, have yet to be demonstrated; and (iv) the scale of business operations, range of business products and services and net asset value of the Remaining Group would be reduced after the completion of the Reorganisation, Disposal and Distribution, we consider that the prospects and outlook of the Remaining Group remain uncertain.

(C) The Offer

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

For every Offer Share . . . . HK$0.26372 in cash

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

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the section headed "Letter from Optima Capital" and Appendix I to the Composite Document.

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

(i) a discount of approximately 60.64% to the closing price of HK$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 10.34% over the closing price of HK$0.2390 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 9.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK$0.2404 per Share;

(iv) a premium of approximately 11.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK$0.2359 per Share; and

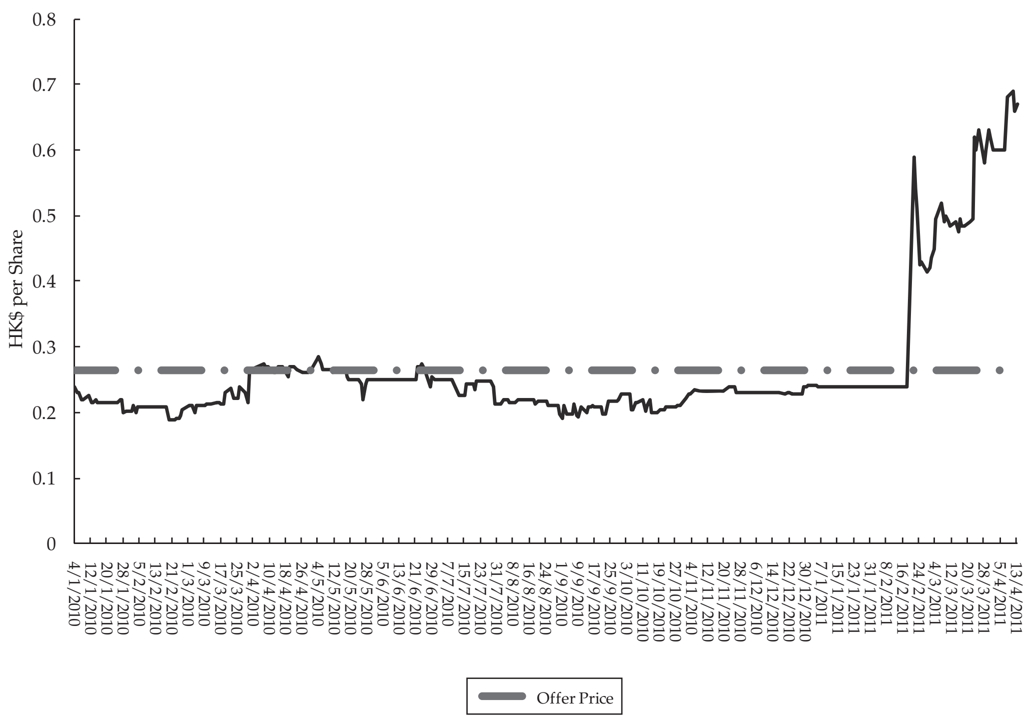
(v) a premium of approximately 238.10% over the audited consolidated total equity attributable to Shareholders of approximately HK$0.078 per Share as at 31 March 2010.

(D) Historical performance of the Shares

(i) Share Price

We have reviewed the movements in closing prices of the Shares during the period from 4 January 2010 up to the Latest Practicable Date (the "**Review Period**"). The closing prices of the Shares during the Review Period are set out below:

Chart A: The closing prices of the Shares during the Review Period



Source: website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares on the Stock Exchange was suspended from 6 January 2011 to 18 February 2011.

During the Review Period, the lowest closing price of the Shares was HK$0.188 which was recorded on 19 February 2010 and 22 February 2010 whilst the highest closing price of the Shares was HK$0.69 which was recorded on 11 April 2011. The Offer Price represents a premium of approximately 40.28% and a discount of approximately 61.78% respectively to such lowest and highest closing prices per Share during the Review Period.

As shown in Chart A above, the closing prices of the Shares were generally traded ranging from HK$0.188 to HK$0.285 per Share during the period from 4 January 2010 to 5 January 2011. The trading of the Shares was suspended from 6 January 2011 to 18 February 2011 pending the release of the Joint Announcement. On 18 February 2011, the Joint Announcement in relation to, among other things, the Special Deal, the Disposal, the Reorganization, the Distribution and the Offer was published. Subsequent to the release of such announcement, the closing price of the Shares rose sharply and surged by approximately 146.86% to HK$0.59 per Share on 21 February 2011. Afterwards, the closing price of the Shares had generally traded between HK$0.415 to HK$0.69 up to the Latest Practicable Date.

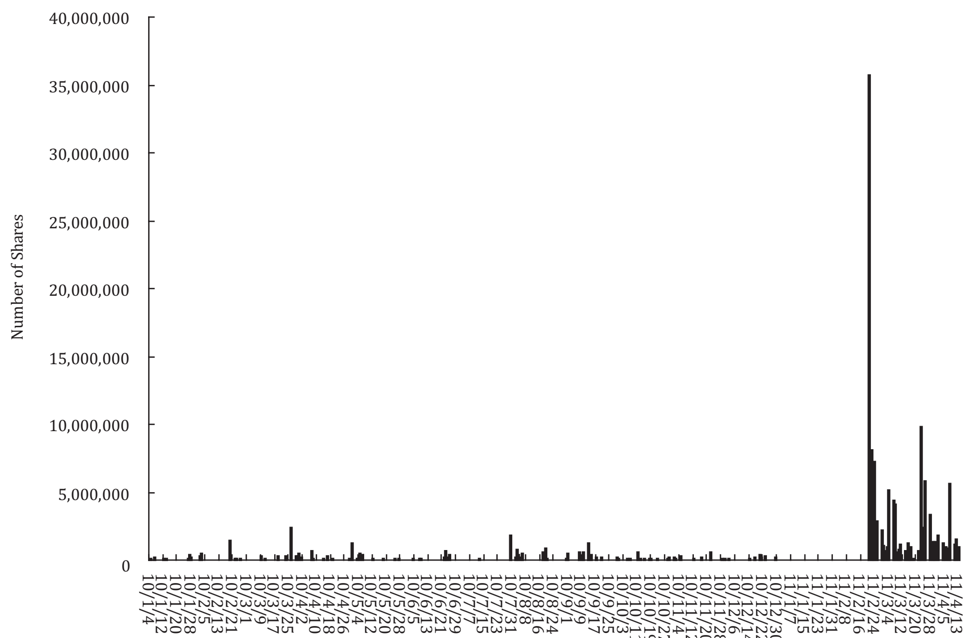
We are aware that the Offer Price represents discounts to the recent market prices of the Shares and might appear not attractive to the Independent Shareholders. Nevertheless, taking into account that (i) the Remaining Group had occurred continuous losses for the past three financial years and for the six months ended 30 September 2010; (ii) uncertainty in future prospects due to intense market competition as described in the subsection headed "Prospects and outlook of the Remaining Group"; and (iii) the substantial premium represented by the Offer Price over the audited consolidated total equity attributable to the Shareholders per Share as at 30 September 2010, we consider that the Offer Price is fair and reasonable and advise the Independent Shareholders should not solely rely on the market prices to make their decision to accept the Offer or not and should consider all the above factors as well. In addition, based on the low liquidity of the Shares as described in the subsection headed "Liquidity of the Shares" below, we are of the view that for the Independent Shareholders who may wish to realize through the Stock Exchange their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares.

We would like to remind the Independent Shareholders that there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the offer period in respect of the Offer. The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price of the Shares while the period of the Offer remains open for acceptance.

Liquidity of the Shares

The table below sets out average daily trading volume of the Shares for the respective month/period, as well as the respective percentages of average daily trading volume compared to the entire issued share capital of the Company and to the total number of Shares in public hand during the Review Period:

Chart B: Trading volume



Source: website of the Stock Exchange (www.hkex.com.hk)
Note: Trading in the Shares on the Stock Exchange was suspended from 6 January 2011 to 18 February 2011.

Table C: Trading volume

Month	Highest daily turnover *(in number of shares)*	Lowest daily turnover *(in number of shares)*	Average daily turnover *(in number of shares)*	Number of trading days without turnover *(in days)*	Percentage of average daily turnover over total number of Shares in issue *(Note) (%)*	Percentage of average daily turnover over total number of Shares in issue held by public hand %
2010						
January	352,000	0	53,200	11	0.009	0.044
February	1,434,000	0	136,333	10	0.023	0.113
March	2,336,000	0	194,000	9	0.032	0.161
April	1,202,000	0	144,737	6	0.024	0.120
May	436,000	0	70,600	9	0.012	0.058
June	634,000	0	80,571	12	0.013	0.067
July	1,842,000	0	94,095	16	0.016	0.078
August	858,000	0	166,545	10	0.028	0.138
September	1,230,000	0	184,381	6	0.031	0.153
October	590,000	0	78,900	8	0.013	0.065
November	558,000	0	70,636	13	0.012	0.059
December	406,000	0	68,091	13	0.011	0.056
2011						
January	0	0	0	3	0.000	0.000
February	35,742,000	2,194,000	10,264,333	0	1.711	8.504
March	9,796,000	102,000	2,136,348	0	0.356	1.770
April (1 April to the Latest Practicable Date)	5,664,000	816,000	1,745,250	0	0.291	1.446

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Trading in the Shares on the Stock Exchange was suspended from 6 January 2011 to 18 February 2011;

2. Calculated based on the entire issued share capital of the Company of 600,000,000 Shares as at the Latest Practicable Date; and

3. Calculated based on a total of 120,698,000 issued Shares held in public hands as at the Latest Practicable Date.

As illustrated in Table C above, we note that the average daily trading volume of the Shares per month was within the range of nil to approximately 0.03% as to the total number of issued Shares prior to publication of the Joint Announcement; and nil to approximately 0.16% as to the total number of the Shares held in public hands prior to publication of the Joint Announcement. However, during the period from publication of the Joint Announcement to the Latest Practicable Date, the average daily trading volume of the Shares per month was within the range of approximately 0.291% to 1.711% as to the total number of issued Shares; and approximately 1.446% to 8.504% as to the total number of the Shares held in public hands. Among the 289 trading days during the Review Period, 126 trading days have recorded no trading of Shares, representing over 40% of the trading days during the Review Period.

Based on the generally low liquidity during the Review Period, we consider that the Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Nevertheless, the Independent Shareholders who intend to dispose part or all of their Shares are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable amount under the Offer.

(E) Comparison with comparable companies and other offers

(i) Comparable companies

The Remaining Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware related business. We have discussed with the management of the Company and were given to understand that (i) the sale of hardware products is the major income stream of the Remaining Group; and (ii) the provision of hardware maintenance services and the value-added technical consultation services by setting up the existing software to match the integrated system and the newly installed hardware are mainly to complement the business segment of system.

We have identified and reviewed a total of four companies listed on the GEM which are principally engaged in provision of technical consultation services and hardware related business, which are similar to the Remaining Business, derived majority revenue from such principal activities (over 50%) with major assets similar to the Remaining Business in their respective latest balance sheets and intend to remain focus on the technical consultation services and hardware related business as the Remaining Group does, based on the public information set out in their respective published financial reports (the "**Comparables**"). We have compared the valuation of the Group based on the Offer Price against those Comparables and the results of which are set forth in the table below:

Table D: Comparables

Company name	Stock code	Principal activities	Market capitalisation (approximately HK$) (Note 1)	Latest published annual earning per share on/ or before 5 January 2011 ("PE Ratio") (approximately times) (Note 2)	Latest published net asset attributable to shareholders per share on/ or before 5 January 2011 ("PB Ratio") (approximately times) (Note 3)
Powerleader Science & Technology Group Ltd.	8236	Design and development, manufacturing and sale of computer server system solution related hardware and software, value-added platform and related components agency distribution and leasing of servers and network value-added business.	632,100,000	19.335	1.039
Vodatel Networks Holdings Ltd.	8033	Provision of network and systems infrastructure and applications, CNMS and customised software solutions.	1,841,457,000	5.386	11.364
Shanghai Jiaoda Withub Information Industrial Co Ltd – H Shares	8205	Development and provision of business application solutions which include business solutions, application software, network and data security products, sales and distribution of computers and electrical products.	153,600,000	48.141	1.415

Company name	Stock code	Principal activities	Market capitalisation (approximately HK$) (Note 1)	Latest published annual earning per share on/ or before 5 January 2011 ("PE Ratio") (approximately times) (Note 2)	Latest published net asset attributable to shareholders per share on/ or before 5 January 2011 ("PB Ratio") (approximately times) (Note 3)
Glory Mark Hi-Tech (Holdings) Ltd.	8159	Design, development, manufacture and sale of connectivity products mainly for computers and computer peripheral products.	117,120,000	4.704	0.670
			maximum	48.141	11.364
			minimum	4.704	0.670
			mean	19.392	3.622
			median	12.361	1.227
			Offer Price		
The Company			0.26372	NA	19.00

Sources: *Bloomberg, the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective companies*

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 2011, being the date of the Share Agreement;

(2) P/E Ratios of the Comparable Companies are calculated on the basis of their respective market capitalisations and the profit attributable to its equity holders (excluding the extraordinary items, such as disposal gain/(loss) of the subsidiaries) as disclosed in their respective latest published annual reports on or before 5 January 2011. "N/A" denoted that the subject company recorded a loss attributable to its equity holders (excluding the extraordinary items, such as disposal gain/(loss) of the subsidiaries);

(3) P/B Ratios 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 on or before 5 January 2011; and

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

*(a) Price to earnings multiple ("***PE Ratio***") and the dividend yield*

The PE Ratio (as represented by the current share price divided by its latest published annual earnings per share) and the dividend yield (as represented by the latest published annual dividend payment per share divided by its current share price) are widely adopted traditional valuation approaches by the investing community in assessing the fair value of the companies which are profit making and/or paying dividend regularly respectively.

We note from Appendix II to the Circular, the Remaining Group (taking into account the effect of completion of the Disposal and after the Distribution) recorded (i) an estimated one-off gain on Disposal of HK$6,847,000 and (ii) a pro forma profit attributable to its equity holders of approximately HK$5,972,000. Given that the gain on Disposal was not a recurring item, it would be fair and reasonable to exclude such disposal gain when calculating the PE Ratio in order to avoid any distortion. If the gain on Disposal was excluded, the Remaining Group would record a loss attributable to its equity holders. Besides, we have also reviewed the dividend payment history of the Company and noted that the Company has not paid and/or declared any dividend to the equity holders of the Company in the last three financial years. Hence, we consider that it would not be feasible and meaningful to assess the Offer Price by using the PE Ratio and the dividend yield valuation approach.

*(b) Price to book multiple ("***PB Ratio***")*

The PB Ratio (as represented by the current share price divided by its latest published consolidated net asset values attributable to the equity holders per share) is another widely adopted traditional valuation approach in valuing a company, in particular loss-making company, and provides another prospective for analyzing and assessing those loss-making companies.

As at 30 September 2010, the Remaining Group recorded unaudited pro forma consolidated net asset value attributable to Shareholders of approximately HK$0.0138 per Share (based on the unaudited pro forma consolidated accounts of the Remaining Company of HK$8,258,000 as at 30 September 2010 and the total issued Shares of 600,000,000 as at 5 January 2011). The Offer Price represent a premium of such net asset value attributable to Shareholders per Share over 1,810%. As illustrated in Table D above, we note that the PB Ratio of the Company as at 5 January 2011, being the last trading date prior to publication of the Joint Announcement, was approximately 19.00 times (based on Offer Price), which is substantially higher than the range of approximately 0.67 times to approximately 11.36 times of the Comparables, and also higher than the mean and median of the Comparables.

Based on the above analysis and from the sole perspective assessment of the Offer Price with reference to the Comparables in terms of PB Ratio, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

(F) Background and intention of the Offeror

(i) Background

As set out in the "Letter from Optima Capital", 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 Latest Practicable Date, Mr. Pong is the sole director of the Offeror.

Also set out in the "Letter from Optima Capital", 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.

(ii) Intention of the Offeror in relation to the Group

As set out in the "Letter from Optima Capital" to the Composite Document, 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 of the Remaining Group by reason only of the Offer. The Offeror also has no intention to re-deploy the remaining fixed assets of the Remaining Group. 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 Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group. As at Latest Practicable Date, 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.

(iii) Proposed change of Board composition

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Lok Wai Man, Mr. So Yiu King and Mr. Chow Chi Ming, Daniel; and three independent non-executive Directors, namely. Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David.

The Offeror intends to nominate new Directors to the Board in accordance with the Takeovers Code. The Offeror is considering nominating new Directors after the close of the Offer. 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.

RECOMMENDATION

Having considered the above factors and reasons, and in particular that:

(i) the future business performance of the Group remains uncertain due to the intense market competition, the absence of further details in respect of the plans for the potential partnership or broadening of the income stream of the Remaining Group and the effects arising from the implementation of such plans, if any, have yet to be demonstrated and the reduction in the scale of business operations, range of business products and services and net asset value of the Remaining Group after the completion of the Reorganisation, Disposal and Distribution;

(ii) no dividend has been paid to the equity holders of the Company by the Group in the last three financial years;

(iii) the loss-making position attributable to the equity holders of the Company for the three financial years ended 31 March 2010 and for the six months ended 30 September 2010;

(iv) the PB Ratio represented by the Offer Price is higher than the range, mean and median of those Comparables;

(v) the Offer Price represents a premium of approximately 10.34% over the closing price of HK$0.2390 per Share as quoted on the Stock Exchange on the Last Trading Day; a premium of approximately 9.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK$0.2404 per Share; and a premium of approximately 11.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK$0.2359 per Share; and

(vi) The Offer provides an opportunity for Shareholders who wish to dispose of their shareholdings in the Company especially to those who have relatively sizeable shareholdings in the Company and their disposals may cast downward pressure on market price of the Shares given the trading liquidity of the Shares was thin during the Review Period;

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price and the market price of the Share as at the Latest Practicable Date was HK$0.67 per Share, which was higher than the Offer Price, and there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Offer Price during and after the close of the Offer. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period of the Offer remain open for acceptance and shall, having regard to their own circumstances, consider selling the Shares (as the case may be) in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable amount under the Offer.

In any case, the Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision to realize or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

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

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

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand, to the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Optima Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar on or before 4:00 p.m. on the Closing Date and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/ or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of you, the person accepting the Offer, executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

(f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

As the Offer Price of HK$0.26372 is of four decimal places, the remittances in respect of the cash consideration payable for the Offer Shares will be rounded up to the nearest Hong Kong cent.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.

(b) If the Offer is extended or revised, the announcement of such extension or revision shall state the next Closing Date or that the Offer will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Independent Shareholders, who have not accepted the Offer before the Offer is close, and an announcement in respect thereof shall be released.

If the Offeror revises the terms of the Offer, the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been closed, revised or extended.

The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or persons acting in concert with it before the offer period (as defined under the Takeovers Code);

(iii) the total number of Shares, rights over Shares, acquired by the Offeror or persons acting in concert with it during the offer period (as defined under the Takeovers Code);

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances have been received by the Registrar no later than 4:00 p.m. on the Closing Date shall be included.

(c) As required under the Takeovers Code and the GEM Listing Rules, any announcement in relation to the Offer, in respect of which the Executive has confirmed that the Executive has no further comments thereon, will be published on the GEM website (www.hkgem.com) and the website of the Company (www.flexsystem.com).

4. RIGHT OF WITHDRAWAL

(a) Acceptance to the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "ANNOUNCEMENTS" above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, upon the Independent Shareholders withdraw their acceptance(s), the Offeror and Mr. Pong shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each of the accepting Independent Shareholders less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such Independent Shareholders by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves of and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting Independent Shareholders in respect of such jurisdiction. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders are recommended to seek professional advice on deciding whether to accept the Offer.

7. TAXATION

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. None of the Offeror and parties acting in concert with it, Optima Capital, Veda Capital, Cinda International, the Registrar or any of their respective directors or any persons involved in the Offer, and the company secretary of the Company accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

8. GENERAL

(a) All communications, notices, Form of Acceptance, Share certificates, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Optima Capital, Veda Capital, Cinda International and any of their respective agents nor the Registrar or the company secretary of the Company or other parties involved the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the accompanying Form of Acceptance form part of the terms and conditions of the Offer.

(c) The accidental omission to despatch this Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.

(d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offer.

(f) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.

(g) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the financial results of the Group for each of the years ended 31 March 2010, 2009 and 2008 as extracted from the annual reports of the Company for the year ended 31 March 2010, 2009 and 2008 respectively. There were no extraordinary items or exceptional items in respect of the consolidated income statement of the Group for each of the aforesaid years.

No qualified opinion had been given in the auditor's reports issued by HLB Hodgson Impey Cheng in respect of the three years ended 31 March.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	89,106	97,149	100,702
Share of profit of an associate	105	175	–
(Loss)/profit before income tax	(12,867)	3,177	19,026
Income tax	35	202	1,225
(Loss)/profit for the year attributable to:			
Equity holders of the Company	(12,810)	3,360	20,038
Minority interests	(22)	19	213
	(12,832)	3,379	20,251
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(11,817)	3,042	20,020
Minority interests	(22)	19	213
	(11,839)	3,061	20,233
Dividends	–	–	3,000
Dividend per share	–	–	HK$0.005
(Loss)/Earnings per share attributable to equity holders of the Company – basic and diluted	(2.14) HK cents	0.56 HK cents	3.34 HK cents

2. AUDITED FINANCIAL INFORMATION

The following is the audited financial statements of the Group extracted from the annual report of the Company for the year ended 31 March 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	**2010** *HK$'000*	**2009** *HK$'000*
Revenue	*5*	89,106	97,149
Cost of sales		(35,276)	(30,879)
Gross profit		53,830	66,270
Other income	*6*	242	531
Share of profit of an associate		105	175
Distribution costs		(25,450)	(21,577)
Administrative expenses		(40,804)	(39,483)
Other operating expenses		(790)	(2,739)
(Loss)/profit before income tax		(12,867)	3,177
Income tax	*8*	35	202
(Loss)/profit for the year		(12,832)	3,379
Other comprehensive income			
Changes in fair value of available-for-sale financial assets		168	(318)
Currency translation differences		825	–
Other comprehensive income/(loss) for the year, net of tax		993	(318)
Total comprehensive (loss)/income for the year		(11,839)	3,061
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(12,810)	3,360
Minority interests		(22)	19
		(12,832)	3,379
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(11,817)	3,042
Minority interests		(22)	19
		(11,839)	3,061
(Loss)/earnings per share attributable to equity holders of the Company			
– basic and diluted	*10*	(2.14) HK cents	0.56 HK cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Leasehold land and land use rights	13	11,791	12,108
Property, plant and equipment	14	9,954	11,602
Investments in associates	16	1,191	1,119
Investment in a jointly-controlled entity	17	–	–
Available-for-sale financial assets	19	526	358
Amounts due from investee companies	20	–	–
		23,462	25,187
Current assets			
Inventories	21	665	834
Trade and other receivables	22	17,804	17,552
Current income tax assets		899	663
Bank balances and cash	23	30,757	36,064
		50,125	55,113
Total assets		73,587	80,300
Current liabilities			
Trade and other payables	24	25,870	20,606
Current income tax liabilities		60	74
		25,930	20,680
Net current assets		24,195	34,433
Total assets less current liabilities		47,657	59,620
Non-current liabilities			
Deferred income tax liabilities	28	–	124
Net assets		47,657	59,496
Capital and reserves			
Share capital	25	60,000	60,000
Reserves		(13,187)	(1,370)
Capital and reserves attributable to equity holders of the Company		46,813	58,630
Minority interests		844	866
Total equity		47,657	59,496

BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	15	21,906	14,187
Available-for-sale financial assets	19	511	343
		22,417	14,530
Current assets			
Prepayments	22	145	112
Bank balances and cash	23	16,820	24,409
		16,965	24,521
Total assets		39,382	39,051
Current liabilities			
Accruals	24	268	240
Net current assets		16,697	24,281
Total assets less current liabilities		39,114	38,811
Net assets		39,114	38,811
Capital and reserves attributable to equity holders of the Company			
Share capital	25	60,000	60,000
Reserves	27	(20,886)	(21,189)
Total equity		39,114	38,811

Lok Wai Man
Director

So Yiu King
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Merger reserve	Translation reserve	Available-for-sale investments reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 25)		*(Note)*						
As at 1 April 2008	60,000	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)	847	59,435
Comprehensive income									
Profit for the year	–	–	–	–	–	3,360	3,360	19	3,379
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	–	–	–	–	(318)	–	(318)	–	(318)
Total comprehensive income	–	–	–	–	(318)	3,360	3,042	19	3,061
Dividends paid	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
As at 31 March 2009 and 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)	866	59,496
Comprehensive income									
Loss for the year	–	–	–	–	–	(12,810)	(12,810)	(22)	(12,832)
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	–	–	–	–	168	–	168	–	168
Currency translation differences	–	–	–	825	–	–	825	–	825
Total comprehensive income	–	–	–	825	168	(12,810)	(11,817)	(22)	(11,839)
As at 31 March 2010	60,000	77,955	(47,430)	779	(461)	(44,030)	(13,187)	844	47,657

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operating activities	29	(6,012)	3,622
Cash flows from investing activities			
Interest received		95	324
Dividends received		16	16
Purchase of property, plant and equipment		(162)	(329)
Proceeds from disposal of property, plant and equipment		–	11
Advances to associates		(59)	(507)
Acquisition of interest in an associate		–	(600)
Net cash used in investing activities		(110)	(1,085)
Cash flows from financing activities			
Dividends paid		–	(3,000)
Net cash used in financing activities		–	(3,000)
Net decrease in cash and cash equivalents		(6,122)	(463)
Cash and cash equivalents at beginning of year		36,064	36,527
Exchange gains on cash and cash equivalents		815	–
Cash and cash equivalents at end of year		30,757	36,064
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	23	29,041	8,908
Short-term bank deposits	23	1,716	27,156
		30,757	36,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. GENERAL INFORMATION

FlexSystem Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (together the "Group") are principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the board of directors on 23 June 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

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

In the current year, the Group has adopted the following new, revised or amended standards as at 1 April 2009:

- HKAS 1 (revised), 'Presentation of financial statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

- HKFRS 7, 'Financial instruments – Disclosures' (amendment) – The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKFRS 8, 'Operating segments' – HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The following revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 April 2009 but are either not relevant to the Group or have no significant impact on the Group's consolidated financial statements:

• HKAS 23 (revised)	Borrowing costs
• HKAS 27 (amendment)	Consolidated and separate financial statements
• HKAS 32 (amendment)	Financial instruments: Presentation
• HKAS 39 (amendment)	Financial instruments: Recognition and measurement
• HKFRS 2 (amendment)	Share-based payment
• HK(IFRIC) – Int 9 (amendment)	Reassessment of embedded derivatives
• HK(IFRIC) – Int 13	Customer loyalty programmes
• HK(IFRIC) – Int 15	Agreements for the construction of real estate
• HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
• HK(IFRIC) – Int 18	Transfer of assets from customers

- First annual improvement project:

–	HKAS 1	– Presentation of financial statements
–	HKAS 16	– Property, plant and equipment
–	HKAS 19	– Employee benefits
–	HKAS 20	– Accounting for government grants and disclosure of government assistance
–	HKAS 28	– Investments in associates
–	HKAS 29	– Financial reporting in hyperinflationary economies
–	HKAS 31	– Interests in joint ventures
–	HKAS 36	– Impairment of assets
–	HKAS 38	– Intangible assets
–	HKAS 39	– Financial instruments: Recognition and measurement
–	HKAS 40	– Investment property

The following new, revised or amended standards and interpretations have been issued, but are not yet effective for the financial year beginning 1 April 2009 and have not been early adopted:

• HKAS 1 (amendment)	Presentation of financial statements[1]
• HKAS 7 (amendment)	Statement of cash flows[1]
• HKAS 17 (amendment)	Leases[1]
• HKAS 24 (revised)	Related party disclosures[4]
• HKAS 27 (revised)	Consolidated and separate financial statements[2]
• HKAS 32 (amendment)	Classification of rights issue[5]
• HKAS 36 (amendment)	Impairment of assets[1]
• HKAS 38 (amendment)	Intangible assets[2]

• HKAS 39 (amendment)	Financial instruments: Recognition and measurement[1, 2]
• HKFRS 2 (amendment)	Share-based payments[1,2]
• HKFRS 3 (revised)	Business combination[2]
• HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations[1]
• HKFRS 8 (amendment)	Operating segments[1]
• HKFRS 9	Financial instruments[3]
• HK(IFRIC) – Int 9 (amendment)	Reassessment of embedded derivatives[2]
• HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement[4]
• HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation[2]
• HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[2]
• HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[6]

Notes:

1 Changes effective for annual periods beginning on or after 1 January 2010.
2 Changes effective for annual periods beginning on or after 1 July 2009.
3 Changes effective for annual periods beginning on or after 1 January 2013.
4 Changes effective for annual periods beginning on or after 1 January 2011.
5 Changes effective for annual periods beginning on or after 1 February 2010.
6 Changes effective for annual periods beginning on or after 1 July 2010.

The Group has already commenced an assessment of the related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2.2 Consolidation

(a) Subsidiaries

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Transactions with minority interests

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.6 for the impairment of non-financial assets including goodwill.

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

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

(d) Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of a jointly-controlled entity.

The Group's share of its jointly-controlled entities' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post- acquisition movements are adjusted against the carrying amount of the investment.

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

Depreciation of other property, plant and equipment is calculated using the reducing balance method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and machinery	20%
Furniture and fixtures	20%-25%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.6 Impairment of investments in subsidiaries, associates, jointly-controlled entities and non-financial assets

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

Impairment testing of the investments in subsidiaries, associates or jointly-controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly-controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.7 Financial assets

2.7.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise amounts due from associates, trade and other receivables and bank balances and cash in the consolidated balance sheet.

(c) Available-for-sale financial assets

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

2.7.2 *Recognition and measurement*

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

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

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

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

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

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower 's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor 's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated statement of comprehensive income. Impairment losses recognised in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and jointly-controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2.16 Employee benefits

(a) Pension cost

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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

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

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

(d) Dividend income is recognised when the right to receive payment is established.

(e) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of owner ship are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and leasehold land use rights, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.20 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by the finance department which identifies and evaluates financial risks in close co-operation within the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

As the Group's in vestments in available-for-sale financial assets are not significant, the management of the Group considers the price risk of the Group is not significant.

(iii) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group's financial liabilities principally comprise trade payables and other financial liabilities included in other payables and accruals, all of which are expected to be settled within one year and are included in current liabilities. As at 31 March 2010, the Group did not have any borrowings or derivative financial liabilities (2009: Nil).

3.2 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholder s, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio of zero. The gearing ratios at 31 March 2010 and 2009 were zero as the Group has no borrowing or debt.

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model).

The following table presents the Group's assets that are measured at fair value at 31 March 2010.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets				
– Listed equity securities	511	–	–	511

There were no transfer amongst level 1 and 2 in the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Income taxes

The Group is subject to income tax in a number of jurisdictions. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition as at the balance sheet date and the historical experience of selling products of similar nature.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment

The Group's management assesses at each of the balance sheet date whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amount is higher of an asset's value in use and fair value less costs to sell, which is estimated based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets.

Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

	2010	**2009**
	HK$'000	*HK$'000*
Revenue		
Software	41,864	56,565
Services	34,709	31,942
Other operations	12,533	8,642
	89,106	97,149

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to mak e strategic decisions.

The Executive Directors review the Group's financial information mainly from software, services and other operation perspective. The Executive Directors further assess the performance of operations on a geographical basis (Hong Kong, PRC and other countries). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment (loss)/profit. This measurement basis excludes other income, share of profit of an associate and unallocated expenses.

Segment assets mainly exclude investments in associates, investment in a jointly-controlled entity, available-for-sale financial assets, current income tax assets and other assets that are managed on a central basis. Segment liabilities mainly exclude current income tax liabilities, deferred income tax liabilities and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and non-current assets are based on the country where the assets are located.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 March 2010 is as follows:

	Software	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	41,864	34,709	12,533	–	89,106
Reportable segment (loss)/profit	(15,948)	9,259	(3,393)	(3,132)	(13,214)
Other income					242
Share of profit of an associate					105
Loss before income tax					(12,867)
Income tax *(Note 8)*					35
Loss for the year					(12,832)
Depreciation of property, plant and equipment	–	–	–	1,818	1,818
Amortisation of prepaid operating lease payments	–	–	–	317	317
Addition to non-current assets	–	–	–	162	162

The segment information for the year ended 31 March 2009 is as follows:

	Software	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	56,565	31,942	8,642	–	97,149
Reportable segment profit/(loss)	911	10,136	(3,797)	(4,779)	2,471
Other income					531
Share of profit of an associate					175
Profit before income tax					3,177
Income tax *(Note 8)*					202
Profit for the year					3,379
Depreciation of property, plant and equipment	–	–	–	1,872	1,872
Amortisation of prepaid operating lease payments	–	–	–	317	317
Addition to non-current assets	–	–	–	329	329

An analysis of the Group's assets as at 31 March 2010 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	–	665	665
Investments in associates				1,191
Available-for-sale financial assets				526
Current income tax assets				899
Unallocated assets				70,306
Total assets per consolidated balance sheet				73,587

An analysis of the Group's liabilities as at 31 March 2010 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	7,272	8,867	–	16,139
Current income tax liabilities				60
Unallocated liabilities				9,731
Total liabilities per consolidated balance sheet				25,930

An analysis of the Group's assets as at 31 March 2009 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	–	834	834
Investments in associates				1,119
Available-for-sale financial assets				358
Current income tax assets				663
Unallocated assets				77,326
Total assets per consolidated balance sheet				80,300

An analysis of the Group's liabilities as at 31 March 2009 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	4,345	8,221	–	12,566
Current income tax liabilities				74
Deferred income tax liabilities				124
Unallocated liabilities				8,040
Total liabilities per consolidated balance sheet				20,804

The revenue from external customers of the Group by geographical segments is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Hong Kong	71,394	76,179
PRC	9,801	10,795
Other countries	7,911	10,175
	89,106	97,149

For the year ended 31 March 2010, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue (2009: Nil).

An analysis of the non-current assets, excluded financial statements, of the Group by geographical segments is as follows:

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	22,144	23,867
PRC	638	746
Other countries	154	216
	22,936	24,829

6. OTHER INCOME

	2010	2009
	HK$' 000	*HK$'000*
Dividend income on available-for-sale financial assets	16	16
Interest income on short-term bank deposits	95	324
Others	131	191
	242	531

7. EXPENSES BY NATURE

	2010	2009
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	1,818	1,872
Amortisation of prepaid operating lease payments	317	317
Loss on disposal of property, plant and equipment	2	1
Cost of inventories expensed	10,493	8,855
Inventories written off	195	–
Operating lease rentals in respect of rented premises	1,713	1,448
Auditors' remuneration	350	330
Bad debts written off	357	196
Provision for impairment of trade receivables *(Note 22)*	117	1,985
Provision for impairment of amounts due from associates	92	553

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. In June 2008, the Hong Kong government enacted a change in the profits tax rate from 17.5% to 16.5% commencing from the fiscal year 2008/2009. No provision for Hong Kong profits tax has been made for the year ended 31 March 2010 as the Group had no assessable profit arising in or derived from Hong Kong. Taxation on over seas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	–	46
– Over seas taxation	89	377
– Over-provision in prior years	–	(113)
Deferred income tax *(Note 28)*	(124)	(512)
Tax credit	(35)	(202)

8. INCOME TAX (CONTINUED)

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

	2010 *HK$'000*	2009 *HK$'000*
(Loss)/profit before income tax	(12,867)	3,177
Tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	(2,123)	524
Income not subject to tax	(56)	(1,516)
Expenses not deductible for tax purpose	333	702
Tax losses for which no deferred income tax asset was recognised	2,598	309
Utilisation of previously unrecognised tax losses	(741)	(946)
Over-provision in prior years	–	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	95	62
Remeasurement of deferred income tax	–	(36)
Others	(141)	812
Tax credit	(35)	(202)

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$135,000 (2009: HK$3,413,000).

10. (LOSS)/EARNINGS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the year of approximately HK$12,810,000 (2009: profit of HK$3,360,000) by the weighted average number of 600,000,000 (2009: 600,000,000) ordinary shares in issue during the year.

There is no diluted (loss)/earnings per share since the Company has no dilutive potential ordinary shares in existence for the years ended 31 March 2010 and 2009.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor had any dividend been proposed since the balance sheet date. A final dividend in respect of the year ended 31 March 2008 of HK$0.005 per share in a total amount of HK$3,000,000 were approved by the Company's shareholders at the annual general meeting on 29 July 2008 and were paid during the year ended 31 March 2009.

12. EMPLOYEE BENEFIT EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Salaries, wages and other benefits	60,893	56,825
Pension costs – defined contribution schemes	2,666	2,460
Total employee benefit expense (including directors' remuneration)	63,559	59,285

(a) Defined contribution schemes

The Group operated a defined contribution scheme (the "Old Scheme") for all qualified employees in Hong Kong prior to 1 December 2000. With the implementation of the MPF Scheme effective from 1 December 2000, the Old Scheme was terminated and the accumulated contributions of the Old Scheme were transferred to the MPF Scheme as the Group's voluntary contributions. Under the MPF Scheme, monthly contributions are made at 5% of an employee's gross salary or HK$1,000, whichever is lower. The Group's voluntary contributions forfeited by qualified employees in Hong Kong who left the MPF Scheme prior to vesting fully in such contributions can be used to reduce the Group's future contributions to the MPF Scheme. During the years ended 31 March 2010 and 2009, there were no material contributions forfeited.

The PRC subsidiary of the Group has participated in an employee's retirement scheme implemented by the Chinese local government. Contributions are made to the scheme at rate of 18% to 30% (2009: 18% to 28%) of the applicable basic payroll costs.

The Singapore subsidiary of the Group has participated in the Central Provident Fund. Contributions are made at 34.5% (2009: 34.5%) of an employee's ordinary wages.

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 March 2010 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's contributions to defined contribution schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lok Wai Man	–	937	24	961
Mr. So Yiu King	–	795	12	807
Mr. Chow Chi Ming, Daniel	–	496	23	519
Independent non-executive directors				
Mr. Tse Lin Chung	30	–	–	30
Mr. Lee Kar Wai	30	–	–	30
Mr. Mak Wing Kwong, David	30	–	–	30
	90	2,228	59	2,377

The remuneration of every director for the year ended 31 March 2009 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's contributions to defined contribution schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lok Wai Man	–	904	24	928
Mr. So Yiu King	–	914	12	926
Mr. Chow Chi Ming, Daniel	–	533	24	557
Independent non-executive directors				
Mr. Tse Lin Chung	30	–	–	30
Mr. Lee Kar Wai	30	–	–	30
Mr. Mak Wing Kwong, David	30	–	–	30
	90	2,351	60	2,501

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil). None of the directors waived or agreed to waive any remuneration during the year (2009: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	2,096	2,410
Employer's contributions to defined contribution schemes	78	36
	2,174	2,446

The emoluments fell within the following band:	2010 Number of Individuals	2009 Number of Individuals
Nil – HK$1,000,000	3	3

13. LEASEHOLD LAND AND LAND USE RIGHTS

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

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
In Hong Kong held on:		
– Medium-term lease of 10 to 50 years	11,791	12,108

	2010	**2009**
	HK$'000	*HK$'000*
Net book amount at 1 April	12,108	12,425
Amortisation of prepaid operating lease payments	(317)	(317)
Net book amount at 31 March	11,791	12,108

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Building	**Leasehold improvements**	**Plant and machinery**	**Furniture and fixtures**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008						
Cost	7,804	6,311	4,793	5,013	298	24,219
Accumulated depreciation	(287)	(3,118)	(3,799)	(3,690)	(168)	(11,062)
Net book amount	7,517	3,193	994	1,323	130	13,157
Year ended 31 March 2009						
Opening net book amount	7,517	3,193	994	1,323	130	13,157
Additions	–	12	85	232	–	329
Disposals	–	–	–	(12)	–	(12)
Depreciation for the year	(191)	(1,057)	(265)	(318)	(41)	(1,872)
Closing net book amount	7,326	2,148	814	1,225	89	11,602
At 31 March 2009						
Cost	7,804	6,323	4,806	5,117	188	24,238
Accumulated depreciation	(478)	(4,175)	(3,992)	(3,892)	(99)	(12,636)
Net book amount	7,326	2,148	814	1,225	89	11,602

	Group					
	Building	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2010						
Opening net book amount	7,326	2,148	814	1,225	89	11,602
Additions	–	42	32	88	–	162
Disposals	–	–	–	(2)	–	(2)
Depreciation for the year	(191)	(1,097)	(196)	(295)	(39)	(1,818)
Exchange differences	–	–	(1)	13	(2)	10
Closing net book amount	7,135	1,093	649	1,029	48	9,954
At 31 March 2010						
Cost	7,804	6,424	4,787	5,255	184	24,454
Accumulated depreciation	(669)	(5,331)	(4,138)	(4,226)	(136)	(14,500)
Net book amount	7,135	1,093	649	1,029	48	9,954

15. INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	47,550	47,550
Amounts due from subsidiaries *(Note (b))*	77,356	69,637
	124,906	117,187
Less: Provision for impairment	(103,000)	(103,000)
	21,906	14,187

The following is a list of the principal subsidiaries of the Company as at 31 March 2010:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/registered capital	Effective interest held
Subsidiary held directly:				
SomaFlex International Inc.	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/registered capital	Effective interest held
Subsidiaries held indirectly:				
FlexSystem Limited	Hong Kong	Development and distribution of FlexAccount products in Hong Kong	120,000 ordinary shares of HK$1 each	100%
FlexSystem (Shanghai) Co., Ltd. *(Note (i))*	PRC	Development and distribution of FlexAccount products in the PRC	Registered capital of US$620,000	100%
FlexSystem Software Limited	Macau	Research and development in Macau	Registered capital of MOP30,000	100%
Norray Professional Computer Limited	Hong Kong	Sales of computer equipment, computer programming, and provision of computer maintenance and tuition services in Hong Kong	200,000 ordinary shares of HK$1 each	70%
Starwise International Computers Limited	Hong Kong	Investment holding in Hong Kong	1,050,000 ordinary shares of HK$1 each	100%
FlexEducation Technology Limited	Hong Kong	Development of educational software and investment holding in Hong Kong	100 ordinary shares of HK$1 each	100%
Soma Software Services Limited	Hong Kong	Provision of ASP services in Hong Kong	100 ordinary shares of HK$1 each	100%
Millenium Magic Sdn. Bhd.	Malaysia	Distribution of computer software products and technology in Malaysia	2 ordinary shares of RM1 each	100%
FlexSystem Limited, Taiwan Branch	Taiwan	Sales of computer equipment, computer programming and provision of computer maintenance and consultation services in Taiwan	Registered capital of NT$2,500,000	100%
Maya Systems Consultants Pte. Limited	Singapore	Distribution of FlexAccount products in Singapore	500,000 ordinary shares of S$1 each	70%
FineStar Pacific Limited	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	51%

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/registered capital	Effective interest held
Master Regal Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	60%
Soma Systems Technology Sdn. Bhd	Malaysia	Distribution of FlexAccount products in Malaysia	2 ordinary shares of RM1 each	100%
FlexDevelopments (Macau Commercial Offshore) Limited	Macau	Research and development of software in Macau	Registered capital of MOP100,000	100%
FlexSystem (M) Sdn. Bhd.	Malaysia	Distribution of FlexAccount products in Malaysia	2 ordinary shares of RM1 each	100%

Notes:

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

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

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

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INVESTMENTS IN ASSOCIATES

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	610	610
Share of post-acquisition results and reserves	(2,019)	(2,124)
Loss in excess of cost of investment	(1,409)	(1,514)
Amounts due from associates	8,124	8,065
Less: Provision for impairment	(5,524)	(5,432)
	2,600	2,633
	1,191	1,119

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Details of the associates of the Group as at 31 March 2010 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Indirect interest held
Flex-Logic Limited	Hong Kong	Software development in Hong Kong	2 ordinary shares of HK$1 each	50%
FlexOmnitech Limited	Hong Kong	Distribution of computer programming and provision of computer maintenance in Hong Kong	50,000 ordinary shares of HK$1 each	20%
I-Global Systems Limited	Hong Kong	Software systems consultancy in Hong Kong	10,000 ordinary shares of HK$1 each	30%

The following table illustrates the summarised financial information of the associates of the Group as extracted from their financial statements:

	2010	2009
	HK$'000	*HK$'000*
Total assets	3,346	2,083
Total liabilities	9,092	8,675
Revenues	7,473	7,147
Profit	846	144

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, both for the year and cumulatively, are as follow:

	2010	2009
	HK$'000	*HK$'000*
Unrecognised share of profits/(losses) of associates for the year	220	(137)
Accumulated unrecognised share of losses of associates	(1,276)	(1,496)

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	*HK$'000*
Cost of investment in a jointly-controlled entity	1,950	1,950
Amount due to a jointly-controlled entity	(1,950)	(1,950)
	–	–

Particulars of the jointly-controlled entity of the Group are as follows:

Name	**Place of incorporation**	**Principal activities**	**Particulars of issued shares held by the Group**	**Interest held**
CDCFlex Limited	Hong Kong	Development of software for basic accounting and payroll service	19,500,000 ordinary shares of HK$0.1 each	50%

The amount due to a jointly-controlled entity is unsecured, interest-free and repayable on demand.

The Group's jointly-controlled entity has not yet commenced business since its date of incorporation and up to 31 March 2010 and had no significant assets or liabilities at 31 March 2010 and 2009.

As at 31 March 2010 and 2009, the Group was committed to contribute to the capital of CDCFlex Limited in the amount of approximately US$2,250,000 (equivalent to approximately HK$17,550,000) pursuant to a legally binding term sheet dated 24 October 2007 and entered into between the Group and CDC Software Corporation with respect to the formation of CDCFlex Limited.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Assets per consolidated balance sheet

31 March 2010	*Note*	**Loans and receivables** *HK$'000*	**Available-for-sale** *HK$'000*	**Total** *HK$'000*
Amounts due from associates	*16*	2,600	–	2,600
Available-for-sale financial assets	*19*	–	526	526
Trade and other receivables	*22*	17,603	–	17,603
Bank balances and cash	*23*	30,757	–	30,757
Total		50,960	526	51,486

Liabilities per consolidated balance sheet

31 March 2010	*Note*	**Amortised cost** *HK$'000*
Trade and other payables	*24*	9,731
Total		9,731

Assets per consolidated balance sheet

31 March 2009	*Note*	Loans and receivables *HK$'000*	Available-for-sale *HK$'000*	Total *HK$'000*
Amounts due from associates	*16*	2,633	–	2,633
Available-for-sale financial assets	*19*	–	358	358
Trade and other receivables	*22*	17,345	–	17,345
Bank balances and cash	*23*	36,064	–	36,064
Total		56,042	358	56,400

Liabilities per consolidated balance sheet

31 March 2009	*Note*	Amortised cost *HK$'000*
Trade and other payables	*24*	8,041
Total		8,041

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year	358	676	343	661
Fair value gain/(loss) recognised in equity	168	(318)	168	(318)
End of the year	526	358	511	343

There were no disposals or impairment provisions on available-for-sale financial assets in 2010 and 2009.

Available-for-sale financial assets include the following:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong, at fair value	511	343	511	343
Unlisted equity securities, at cost less impairment *(Note)*	15	15	–	–
	526	358	511	343
Market value of listed securities	511	343	511	343

Note:

The investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. AMOUNTS DUE FROM INVESTEE COMPANIES

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Amounts due from investee companies	3,065	3,065
Less: Provision for impairment	(3,065)	(3,065)
	–	–

The amounts due from investee companies are unsecured, interest-free and have no fixed terms of repayment.

21. INVENTORIES

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Merchandise	665	834

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$10,493,000 (2009: HK$8,855,000).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(Note (a))*	14,804	14,157	–	–
Prepayments, deposits and other receivables	2,148	2,320	145	112
Advances to staff *(Note (e))*	852	1,075	–	–
	17,804	17,552	145	112

Notes:

(a) The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. As at 31 March 2010, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
0 – 30 days	5,007	4,635
31 – 60 days	1,606	1,309
61 – 90 days	1,091	1,151
91 – 180 days	1,832	2,766
181 – 365 days	2,977	2,267
Over 365 days	2,291	2,029
	14,804	14,157

(b) As of 31 March 2010, trade receivables of approximately HK$7,100,000 (2009: HK$7,062,000) were aged over three months but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
91 – 18 days	1,832	2,766
181 – 365 days	2,977	2,267
Over 365 days	2,291	2,029
	7,100	7,062

(c) As at 31 March 2010, trade receivables of approximately HK$5,205,000 (2009: HK$5,402,000) were impaired. Provision for impairment of approximately HK$117,000 (2009: HK$1,985,000) was recognised for the year ended 31 March 2010. The impairment was firstly assessed individually for individual significant or long outstanding balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk characteristics. The ageing analysis of these receivables is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Over 365 days	5,205	5,402

(d) Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
At beginning of the year	5,402	4,212
Receivables written off as uncollectible	(314)	(795)
Provision for impairment of trade receivables *(Note 7)*	117	1,985
At end of the year	5,205	5,402

The creation and release of provision for impaired receivables have been included in "Other operating expenses" in the consolidated statement of comprehensive income (Note 7).

(e) The advances to staff are unsecured, interest-free and have no fixed terms of repayment.

The maximum exposure to credit risk at the balance sheet date is the fair value of trade and other receivables as mentioned above. The Group does not hold any collateral as security.

23. BANK BALANCES AND CASH

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	29,041	8,908	16,820	297
Short-term bank deposits	1,716	27,156	–	24,112
Maximum exposure to credit risk	30,757	36,064	16,820	24,409

The effective interest rate on short-term bank deposits range from 0.05% to 0.65% (2009: 0.10% to 0.70%). These deposits have an average maturity of 59 days (2009: 84 days).

As at 31 March 2010, the Group had bank balances and cash of approximately HK$1,811,000 (2009: HK$2,758,000) which are denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note (a))*	3,294	1,457	–	–
Other payables and accruals	6,429	6,531	268	240
Amounts due to investee companies *(Note (b))*	8	53	–	–
Deferred income	8,867	8,220	–	–
Sales deposits received	7,272	4,345	–	–
	25,870	20,606	268	240

Notes:

(a) The ageing analysis of trade payables is as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
0 – 30 days	2,477	1,246
31 – 60 days	665	172
61 – 90 days	30	–
91 – 180 days	4	–
181 – 365 days	90	29
Over 365 days	28	10
	3,294	1,457

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

25. SHARE CAPITAL

	Company	
	2010	**2009**
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000
Issued and fully paid:		
600,000,000 ordinary shares of HK$0.10 each	60,000	60,000

26. SHARE OPTIONS

Pursuant to the share option scheme for employees which was adopted on 15 July 2000, the directors of the Company may at their discretion, invite any full-time employees of the Group, including executive directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company. It is believed that the share option scheme will assist the Group in its recruitment and retention of high calibre computer professionals, executives and employees.

Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant. The subscription price of a share in respect of any particular option granted under the share option scheme shall be such price as the board of directors of the Company shall determine save that such price will not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such per son's maximum entitlement exceeding 25% of the aggregate number of shares for the time being issued or issuable under the share option scheme.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the option and expiring on the last day of the three-year period or the tenth anniversary of the date of adoption of the share option scheme, whichever is earlier.

The share option scheme will remain in force for a period of 10 years from the date of adoption of such scheme, or unless terminated earlier by resolution of the board of directors of the Company or by shareholders' resolution, after which period or resolution no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects.

No share options were granted by the Company or outstanding at any time during the years ended 31 March 2010 and 2009.

27. RESERVES

	Company			
	Share premium	Available-for-sale investments reserve	Accumulated losses	Total reserves
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2008	82,872	(311)	(103,845)	(21,284)
Comprehensive income				
Profit for the year	–	–	3,413	3,413
Other comprehensive income				
Changes in fair value of available-for-sale financial assets	–	(318)	–	(318)
Total comprehensive income	–	(318)	3,413	3,095
Dividends paid	(3,000)	–	–	(3,000)
As at 31 March 2009 and 1 April 2009	79,872	(629)	(100,432)	(21,189)
Comprehensive income				
Profit for the year	–	–	135	135
Other comprehensive income				
Changes in fair value of available-for-sale financial assets	–	168	–	168
Total comprehensive income	–	168	135	303
As at 31 March 2010	79,872	(461)	(100,297)	(20,886)

28. DEFERRED INCOME TAX

Deferred income tax liabilities:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Beginning of the year	124	636
Credited to the consolidated statement of comprehensive income	(124)	(512)
End of the year	–	124

No deferred income tax liabilities have been recognised in the financial statements as the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2010 and 2009.

Deferred income tax assets:

A deferred income tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised. As at 31 March 2010, the unrecognised deferred income tax assets of the Group and of the Company are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of temporary difference attributable to estimated tax losses	3,455	1,529	1,350	1,197

29. NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	2010	**2009**
	HK$'000	*HK$'000*
(Loss)/profit before income tax	(12,867)	3,177
Adjustments for:		
– Depreciation of property, plant and equipment	1,818	1,872
– Amortisation of prepaid operating lease payments	317	317
– Loss on disposal of property, plant and equipment	2	1
– Interest income	(95)	(324)
– Dividend income	(16)	(16)
– Provision for impairment of trade receivables	117	1,985
– Provision for impairment of amounts due from associates	92	553
– Share of profit of an associate	(105)	(175)
Changes in working capital:		
– Inventories	169	249
– Trade and other receivables	(369)	(1,136)
– Trade and other payables	5,264	(1,157)
Cash (used in)/generated from operations	(5,673)	5,346
Overseas tax paid	(103)	(415)
Hong Kong profits tax paid	(236)	(1,309)
Net cash (used in)/generated from operating activities	(6,012)	3,622

30. COMMITMENTS

As at 31 March 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
No later than one year	1,511	2,055
Later than one year and no later than five years	232	1,015
	1,743	3,070

The Company did not have significant lease commitments as at 31 March 2010 and 2009.

31. RELATED PARTY TRANSACTIONS

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

		Group	
		2010	**2009**
	Note	*HK$'000*	*HK$'000*
Management service fee received from an associate	*(a)*	–	6
Maintenance service fee received from an associate	*(b)*	1,135	1,446
Software royalty incomes received from an associate	*(b)*	11	39
Software royalty expenses paid to associates	*(b)*	3,683	2,667
Management service fee received from investee companies	*(a)*	–	2

Notes:

(a) The management service fee was based on rates mutually agreed between the parties involved.

(b) The software royalty incomes and expenses and maintenance service fee were made in accordance with terms mutually agreed between the parties involved.

Key management compensation

	Group	
	2010	**2009**
	HK$'000	*HK$'000*
Short-term employee benefits	3,509	3,636
Post employment benefits	115	117
	3,624	3,753

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

3. UNAUDITED FINANCIAL INFORMATION

The following is the unaudited financial statements of the Group extracted from the Interim Report 2010 of the Company for the six months ended 30 September 2009 and 2010. No dividends has been distributed by the Group for each of the six months ended 30 September 2009 and 30 September 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three and six months ended 30 September 2010

		Three months ended 30 September		Six months ended 30 September	
		2010	**2009**	**2010**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2	25,507	20,598	46,827	39,562
Cost of sales		(9,202)	(8,132)	(16,506)	(14,623)
Gross profit		16,305	12,466	30,321	24,939
Other income		24	76	137	164
Distribution costs		(6,964)	(6,095)	(13,464)	(12,001)
Administrative expenses		(10,757)	(10,419)	(20,949)	(20,094)
Other operating expenses		540	(72)	(78)	(299)
Loss before income tax		(852)	(4,044)	(4,033)	(7,291)
Income tax	3	–	–	–	–
Loss for the period		(852)	(4,044)	(4,033)	(7,291)
Other comprehensive income					
Change in fair value of available-for-sale financial assets		65	46	140	157
Other comprehensive income for the period, net of tax		65	46	140	157
Total comprehensive loss for the period, net of tax		(787)	(3,998)	(3,893)	(7,134)

		Three months ended 30 September		Six months ended 30 September	
		2010	**2009**	**2010**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the period attribution to:					
Equity holders of the Company		(931)	(3,923)	(3,942)	(7,216)
Non-controlling interest		79	(121)	(91)	(75)
		(852)	(4,044)	(4,033)	(7,291)
Total comprehensive loss attributable to:					
Equity holders of the Company		(866)	(3,877)	(3,802)	(7,059)
Non-controlling interest		79	(121)	(91)	(75)
		(787)	(3,998)	(3,893)	(7,134)
Loss per share for the loss attributable to the equity holders of the Company during the period					
– basic and diluted (in HK cents)	*4*	(0.16) cents	(0.65) cents	(0.66) cents	(1.2) cents
Dividend		Nil	Nil	Nil	Nil

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	Notes	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (audited)
Non-current assets			
Leasehold land and land use rights		11,634	11,791
Property, plant and equipment		9,180	9,954
Investments in associates		890	1,191
Investment in a jointly-controlled entity		–	–
Available-for-sale financial assets		666	526
Amounts due from investee companies		–	–
		22,370	23,462
Current assets			
Inventories		651	665
Trade and other receivables	5	17,952	17,804
Current income tax assets		899	899
Bank balances and cash		28,396	30,757
		47,898	50,125
Total assets		70,268	73,587
Current liabilities			
Trade and other payables	6	26,455	25,870
Current income tax liabilities		49	60
		26,504	25,930
Net current assets		21,394	24,195
Total assets less current liabilities		43,764	47,657
Capital and reserves			
Share capital	7	60,000	60,000
Reserves		(16,989)	(13,187)
Capital and reserves attributable to equity holders of the Company		43,011	46,813
Non-controlling interest		753	844
Total equity		43,764	47,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company								
	Share Capital	Share premium	Merger reserve	Translation reserve	Available-for-sale investments reserve	Accumulated losses	Total reserves	Non-controlling interest	Total interest equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)	866	59,496
Comprehensive income									
Loss for the period	–	–	–	–	–	(7,216)	(7,216)	(75)	(7,291)
Other comprehensive income									
Change in fair value of available-for-sale financial assets	–	–	–	–	157	–	157	–	157
Total comprehensive income	–	–	–	–	157	(7,216)	(7,059)	(75)	(7,134)
Balance at 30 September 2009	60,000	77,955	(47,430)	(46)	(472)	(38,436)	(8,429)	791	52,362
Balance at 1 April 2010	60,000	77,955	(47,430)	779	(461)	(44,030)	(13,187)	844	47,657
Comprehensive income									
Loss for the period	–	–	–	–	–	(3,942)	(3,942)	(91)	(4,033)
Other comprehensive income									
Change in fair value of available-for-sale financial assets	–	–	–	–	140	–	140	–	140
Total comprehensive income	–	–	–	–	140	(3,942)	(3,802)	(91)	(3,893)
Balance at 30 September 2010	60,000	77,955	(47,430)	779	(321)	(47,972)	(16,989)	753	43,764

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September 2010 *HK$'000* (unaudited)	Six months ended 30 September 2009 *HK$'000* (unaudited)
Net cash used in operating activities	(2,321)	(2,220)
Net cash used in investing activities	(40)	(161)
Net cash used in financing activities	–	–
Net decrease in cash and cash equivalents	(2,361)	(2,381)
Cash and cash equivalents at beginning of the period	30,757	36,064
Effect of foreign exchange rate change, net	–	–
Cash and cash equivalents at the end of the period	28,396	33,683
Analysis of balances of cash and cash equivalents		
Bank balances and cash	28,396	33,683

NOTES TO THE CONDENSED FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

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

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the development, sale and lease of enterprise software products in Hong Kong, mainland China (the "PRC") and other Asian countries. The unaudited consolidated revenue for the six months ended 30 September 2010 with the unaudited consolidated figures for the corresponding period in 2009 are as follows:-

	Three months ended 30 September		Six months ended 30 September	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Software	13,304	12,073	23,950	21,384
Services	8,611	7,216	16,927	15,840
Other operations	3,592	1,309	5,950	2,338
	25,507	20,598	46,827	39,562

(a) Primary reporting format – business segments

As at 30 September 2010, the Group is organised into two main business segments:

- Software – sale of enterprise software; and
- Services – provision of maintenance services.

Other operations of the Group mainly comprise sale of hardware products.

The segment information for the six months ended 30 September 2010 is as follows:

	Software	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	23,950	16,927	5,950	–	46,827
Reportable segment (loss)/profit	(5,950)	4,762	(1,814)	(1,168)	(4,170)
Other income					137
Loss before income tax					(4,033)
Income tax *(Note 3)*					–
Loss for the period					(4,033)
Depreciation of property, plant and equipment	–	–	–	(835)	(835)
Amortisation of prepaid operating lease payments	–	–	–	(158)	(158)
Addition to non-current assets	–	–	–	(59)	(59)

The segment information for the six months ended 30 September 2009 is as follows:

	Software	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	21,384	15,840	2,338	–	39,562
Reportable segment (loss)/profit	(7,809)	3,805	(2,091)	(1,359)	(7,454)
Other income					163
Loss before income tax					(7,291)
Income tax *(Note 3)*					–
Loss for the period					(7,291)
Depreciation of property, plant and equipment	–	–	–	(887)	(887)
Amortisation of prepaid operating lease payments	–	–	–	(158)	(158)
Addition to non-current assets	–	–	–	(103)	(103)

An analysis of the Group's assets as at 30 September 2010 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	–	651	651
Investments in associates				890
Available-for-sale financial assets				666
Current income tax assets				899
Unallocated assets				67,522
Total assets per consolidated balance sheet				70,628

An analysis of the Group's liabilities as at 30 September 2010 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	7,365	9,204	–	16,569
Current income tax liabilities				49
Unallocated liabilities				9,886
Total liabilities per consolidated balance sheet				26,504

An analysis of the Group's assets as at 30 September 2009 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	–	758	758
Investments in associates				1,075
Available-for-sale financial assets				515
Current income tax assets				897
Unallocated assets				72,854
Total assets per consolidated balance sheet				76,099

An analysis of the Group's liabilities as at 30 September 2009 by reportable segment is set out below:

	Software	Services	Other operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	5,760	8,696	–	14,456
Current income tax liabilities				24
Deferred income tax liabilities				124
Unallocated liabilities				9,133
Total liabilities per consolidated balance sheet				23,737

(b) Secondary reporting format – geographical segments

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

	Six months ended 30 September 2010	Six months ended 30 September 2009
	HK$'000 (unaudited)	*HK$'000* (unaudited)
Revenue:		
Hong Kong	37,246	31,644
PRC	4,617	4,523
Other countries	4,964	3,395
	46,827	39,562

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

3. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods.

No provision for overseas income tax has been made in the results as the Group has no assessable profits for the periods.

4. LOSS PER SHARE

The Group's basic losses per share for the three months and six months ended 30 September 2010 is calculated by dividing the loss attributable to equity holders of the Company of approximately HK$931,000 and HK$3,942,000 respectively by the weighted average number of 600,000,000 ordinary shares in issue during the period.

The Group's basic earnings per share for the three months and six months ended 30 September 2009 is calculated by dividing the profit attributable to equity holders of the Company of approximately HK$3,923,000 and HK$7,216,000 respectively by the weighted average number of 600,000,000 ordinary shares in issue during the period.

5. TRADE AND OTHER RECEIVABLES

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	14,609	14,804
Prepayments, deposits and other receivables	2,414	2,148
Advances to staff	929	852
	17,952	17,804

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. As at 30 September 2010, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	3,729	5,007
31-60 days	3,482	1,606
61-90 days	1,035	1,091
91-180 days	1,684	1,832
181-365 days	2,653	2,977
Over 365 days	2,026	2,291
	14,609	14,804

6. TRADE AND OTHER PAYABLES

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	2,353	3,294
Other payables and accruals	7,483	6,429
Amount due to investee companies	50	8
Deferred income	9,204	8,867
Sales deposits received	7,365	7,272
	26,455	25,870

The ageing analysis of trade payables is as follows:-

	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (audited)
0-30 days	1,406	2,477
31-60 days	726	665
61-90 days	133	30
91-180 days	–	4
181-365 days	–	90
Over 365 days	88	28
	2,353	3,294

7. **SHARE CAPITAL**

	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000
Issued and fully paid:		
600,000,000 ordinary shares of HK$0.10 each	60,000	60,000

NO MATERIAL CHANGE

As at the Latest Practicable Date, save for the Reorganisation, the Distribution, the Disposal and the Group has ceased to carry out the Disposal Business and only engaged in the Remaining Business, the Directors confirm that there are no material change in the financial or trading position or outlook of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Company were made up.

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 Composite Document, 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.

1. RESPONSIBILITY STATEMENTS

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Group in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
2,000,000,000	Shares	200,000,000
Issued:		
600,000,000	Shares	60,000,000

Save for the Shares, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 March 2010, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors have any interest in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror, and no such person (including the Company) had dealt in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

(b) Directors' interests in the Shares

As at the Latest Practicable Date, the interests of the Directors in the Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company were as follows:

	Number of shares held						
	Personal interests	**Family interests**	**Corporate interests**	**Trusts and similar interests** *(Note)*	**Equity derivatives**	**Total interests**	**Percentage of issued share capital**
Executive Directors:							
So Yiu King	2,000	–	–	–	–	–	0.00%
Chow Chi Ming, Daniel	2,000	–	–	–	–	–	0.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

(c) Other interest

As at the Latest Practicable Date, save as disclosed in sub-paragraphs (a) and (b) above:

– no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) but excluding exempt principal traders; and

– there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent.

(d) As at the Latest Practicable Date, no person who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company has irrevocably committed themselves to accept or not to accept the Offer.

(e) No person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(f) No Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company are managed on a discretionary basis by fund managers connected with the Company.

(g) Mr. So Yiu King, who is a Director, intends not to accept the Offer.

(h) Mr. Chow Chi Ming, Daniel, who is a Director, intends not to accept the Offer.

4. DEALING IN SECURITIES OF THE COMPANY

(a) During the Relevant Period, save for the transactions contemplated under the Share Agreement, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

(b) During the Relevant Period,

- the Company did not deal in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;

- none of the Directors had dealt in any equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;

- none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) but excluding exempt principal traders had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;

- no person, if any, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;

- no fund managers (other than exempt fund managers) (if any) connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company; and

- none of the Company or any of the Directors has borrowed or lent any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

5. 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.

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 date of the Joint Announcement and up to and including 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 Composite Document:

Name	Qualification
Optima Capital	a corporation to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Cinda International	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Optima Capital and Cinda International has given and has not withdrawn its written consent to the issue of this Composite Document 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 appear.

8. GENERAL

(a) No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

(c) As at the Latest Practicable Date, save for the entering into of the Share Agreement, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(d) As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Company (www.flexsystem.com) and the SFC (www.sfc.hk) from the date of this Composite Document until the Closing Date:

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

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two years ended 31 March 2009 and 31 March 2010;

(d) the interim report of the Company for the six months ended 30 September 2010

(e) the letter from Optima Capital, the text of which is set out on pages 6 to 13 of this Composite Document;

(f) the letter from the Board, the text of which is set out on pages 14 to 19 of this Composite Document;

(g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this Composite Document;

(h) the letter from Cinda International, the text of which is set out on pages 22 to 39 of this Composite Document;

(i) the written consents referred to in the section headed "Experts and consents" in this appendix; and

(j) the material contracts referred to in the section headed "Material contracts" in this appendix.

11. MISCELLANEOUS

(a) 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.

(b) 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.

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

(d) The office of Cinda International is situated at 45/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(e) The English text of Composite Document and the Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to Shareholders with regard to the Offeror, the Group and the Offer.

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 August 2010	0.198
30 September 2010	0.229
29 October 2010	0.210
30 November 2010	0.230
31 December 2010	0.241
5 January 2011 (Last Trading Day)	0.239
31 January 2011	suspended
28 February 2011	0.415
31 March 2011	0.620
13 April 2011 (being the Latest Practicable Date)	0.670

The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the Relevant Period were HK$0.690 per Share on 11 April 2011 and HK$0.190 per Share on 1 September 2010 respectively.

3. DISCLOSURE OF INTERESTS OF THE OFFEROR AND ITS DIRECTORS

As at the Latest Practicable Date, the Offeror was beneficially and wholly owned by Mr. Pong.

Save for the interest in a total of 479,298,000 Shares as a result of the acquisition of the Sale Shares, none of the Offeror, its sole director and parties acting in concert with it had any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date. Save for the acquisition of the Sale Shares, the Offeror, its sole director and parties acting in concert with any of them have not dealt in the Shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

(a) as at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and its associates (as defined under the Takeovers Code), or any person acting in concert with the Offeror, and any other person;

(b) as at the Latest Practicable Date, there was no Shares, convertible securities, warrants, options and derivatives in respect of Shares in the Company which the Offeror or any party acting in concert with it has borrowed or lent;

(c) none of the Offeror, or any parties acting in concert with it, has entered into any arrangements of the kind (whether by way of option, indemnity, or otherwise) as referred to in Note 8 to Rule 22 of the Takeovers Code with any other person;

(d) during the Relevant Period, none of the Offeror, its ultimate beneficial owner, its sole director and parties acting in concert with any one of the Offeror or its ultimate beneficial owners has borrowed or lent any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company, save for any borrowed Shares which have been either on-lent or sold;

(e) there was no arrangement (whether by way of options, indemnity or otherwise) in relation to the shares of the Offeror or the Company which might be material to the Offer; and

(f) none of the Offeror or parties acting in concert with it has received any irrevocable commitment to accept the Offer.

5. MISCELLANEOUS

As at the Latest Practicable Date,

(a) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, any person acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent upon the Offer;

(c) no material contracts had been entered into by the Offeror in which any Director has a material personal interest;

(d) there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer;

(e) there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and

(f) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company which might be material to the Offer.

6. EXPERT AND CONSENT

The following is the qualification of the expert whose letter/opinion is contained in this Composite Document:

Name	Qualification
Optima Capital Limited	a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities as defined under the SFO and the financial adviser to the Offeror in respect of the Offer

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

7. GENERAL

(a) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the entire issued share capital of the Offeror was beneficially and wholly owned by Mr. Pong. The sole director of the Offeror is Mr. Pong. The correspondence address of the Offeror and Mr. Pong in Hong Kong is Unit A, 6th Floor, Nine Queen's Road Central, Hong Kong.

(b) The registered address of Optima Capital is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

(c) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretations.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Securities and Futures Commission (www.sfc.hk) and the Company's website at (www.flexsystem.com) during the period from the date of this Composite Document to 6 May 2011, being the Closing Date:

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

(b) the letter from Optima Capital as set out on pages 6 to 13 of this Composite Document; and

(c) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix.