

## **FlexSystem Holdings Limited**

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

**(Stock code: 8050)**

*Executive Directors:*

Mr. Lau Wai Shu  
Mr. Sit Hon Cheong

*Independent non-executive Directors:*

Mr. Lung Hung Cheuk  
Ms. Yeung Wing Yan, Wendy  
Mr. Yip Tai Him

*Registered office:*

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

*Principal place of business*

*in Hong Kong:*  
Unit A, 6/F.  
Nine Queen's Road Central  
Hong Kong

27 January 2012

*To the Independent Shareholders*

Dear Sir and Madam,

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

### **INTRODUCTION**

On 6 January 2012, the Offeror and the Company jointly announced that on 29 December 2011, the Offeror, the First Vendor (also acting as the Guarantor) and the Second Vendor entered into the Sale and Purchase Agreement pursuant to which the Offeror agreed to acquire and the Vendors agreed to sell the Sale Shares, being 420,000,000 Shares, representing 70.0% of the entire issued share capital of the Company as at the date of the Joint Announcement. The aggregate consideration for the Sale Shares is HK\$133,000,000.00 (equivalent to approximately HK\$0.3167 per Sale Share) which was agreed between the Offeror and the Vendors after arm's length negotiations and was paid by the Offeror to the Vendors in cash upon Completion. The First Vendor, being the ultimate beneficial owner of the Second Vendor, has agreed to guarantee the performance of the obligations of the Second Vendor under the Sale and Purchase Agreement. Completion took place immediately after the entering into of the Sale and Purchase

Agreement on 29 December 2011. Immediately following the Completion, the Offeror was interested in a total of 420,000,000 Shares, representing 70.0% of the entire issued share capital of the Company as at the date of the Joint Announcement. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

The purpose of this Composite Document is to provide you with, among others, 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 Partners Capital" containing its advice to the Independent Board Committee in respect of the Offer.

### **UNCONDITIONAL MANDATORY CASH OFFER**

Immediately following Completion, the Offeror and parties acting in concert with it are interested in 420,000,000 Shares, representing 70.0% of the entire issued share capital of the Company as at the date of the Joint Announcement. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

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

#### **Principal terms of the Offer**

Quam Securities will make the Offer, which is unconditional in all respects, on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . . HK\$0.3167 in cash

The Offer Price of HK\$0.3167 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

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 Completion Date, including all rights to any dividend or other distribution declared, made or paid, if any, on or after the Completion Date.

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 Quam Capital", appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

#### **INFORMATION ON THE GROUP**

The Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware-related business.

The Group recorded audited revenues of approximately HK\$89.1 million and approximately HK\$102.0 million for the years ended 31 March 2010 and 31 March 2011 respectively. The audited gross profits of the Group for the years ended 31 March 2010 and 31 March 2011 were approximately HK\$53.8 million and approximately HK\$67.3 million respectively. Loss attributable to equity holders (excluding non-controlling interests) were approximately HK\$12.8 million and approximately HK\$6.8 million for the years ended 31 March 2010 and 31 March 2011 respectively. The audited consolidated net asset value (excluding non-controlling interests) of the Group recorded approximately HK\$46.8 million and approximately HK\$41.2 million as at 31 March 2010 and 31 March 2011 respectively.

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

## SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate%	Number of Shares	Approximate%
The First Vendor ( <i>Note 1</i> )	128,598,000	21.43	14,598,000	2.43
The Second Vendor ( <i>Note 2</i> )	306,000,000	51.00	–	–
The Offeror and parties acting in concert with it	–	–	420,000,000	70.00
Public Shareholders	<u>165,402,000</u>	<u>27.57</u>	<u>165,402,000</u>	<u>27.57</u>
Total	<u>600,000,000</u>	<u>100.00%</u>	<u>600,000,000</u>	<u>100.00%</u>

*Notes:*

1. *Mr. Pong Wai San, Wilson.*
2. *The Second Vendor is a company wholly-owned by the First Vendor.*

## INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Quam Capital” on page 10 of this Composite Document.

## THE OFFEROR’S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue its existing principal activities. As at the Latest Practicable Date, the Offeror does not intend to introduce any major changes to the existing operation and business of the Company and has no intention or plan for any acquisition or disposal of assets and/or business by the 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 “The Offeror’s intention on the Group” in the “Letter from Quam Capital” on page 11 of this Composite Document.

## MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offer. The director of the Offeror and the new directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

If, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

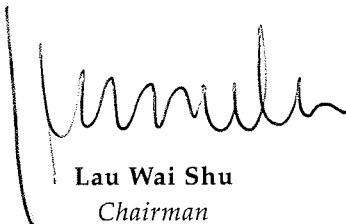
## RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Partners Capital, 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 and Transfer 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 order of the Board of  
**FlexSystem Holdings Limited**



**Lau Wai Shu**  
*Chairman*