博大資本國際有限公司
Partners Capital International Limited

To the Independent Board Committee

27 January 2012

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offer, particulars of which are set out in a composite offer document (the "Document") despatched to the Independent Shareholders dated 27 January 2012, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Document.

As set out in the letter from the Board (the "Letter from the Board"), the Offeror, the First Vendor (also acting as the Guarantor) and the Second Vendor entered into the Agreement on 29 December 2011, pursuant to which the Offeror conditionally agreed to acquire and the Vendors agreed to sell the Sale Shares, being 420,000,000 Shares at an aggregate consideration of HK$133,000,000 (equivalent to approximately HK$0.3167 per Sale Share). Completion of the Agreement took place immediately after the entering into of the Sale and Purchase Agreement on the same day and the consideration was paid by the Offeror to the Vendors in cash upon Completion.

As at the date of the Agreement, the Sale Shares represented approximately 70.0% of the entire issued share capital of the Company. Upon Completion, the Offeror became interested in approximately 70.0% of the entire issued share capital of the Company. In compliance with Rule 26 of the Takeovers Code, the Offeror would upon Completion be required to make an unconditional mandatory cash offer for all the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Quam Securities, on behalf of the Offeror, is making the Offer on the following basis:

For each Share..HK$0.3167 in cash

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the Document.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the Directors and/or the Offeror were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the Directors regarding the Group and the Offer, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

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PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE OFFER

In arriving at our opinion regarding the terms of the Offer, we have considered the following principal factors and reasons:

(i) Review of financial position / performance of the Group

The Group is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services. The Group had been loss-making since the financial year ended 31 March 2010. The Group incurred a profit of HK$7,775,000 for the six months ended 30 September 2011 after recognition of a gain from disposal of subsidiaries of approximately HK$10,822,000. We summarise the audited/unaudited consolidated results of the Group for the most recent three financial years and the most recent interim period as follows:

Expressed in HK$'000	**Year ended 31 March (audited)**			**Six months ended 30 September (unaudited)**	
	2009	**2010**	**2011**	**2010**	**2011**
Hardware Sales	8,642	12,533	12,807	5,950	6,084
Software Sales	56,565	41,864	51,846	23,950	1,645
Maintenance Services	31,942	34,709	37,380	16,927	1,847
Total revenue	97,149	89,106	102,033	46,827	9,576
Cost of sales	(30,879)	(35,276)	(34,755)	(16,506)	(5,577)
Gross profit	66,270	53,830	67,278	30,321	3,999
Other income	706	347	2,066	137	34
Gain on disposal of subsidiaries	-	-	-	-	10,822
Distribution, administrative & other operating expenses	(63,799)	(67,044)	(76,106)	(34,491)	(5,585)
Profit / (loss) before tax	3,177	(12,867)	(6,762)	(4,033)	9,270
Income Tax credit / (expenses)	202	35	(1)	-	-
Other comprehensive income / (expenses)	(318)	993	1,177	140	(1,495)
Total comprehensive income / (loss) for the year / period	3,061	(11,839)	(5,586)	(3,893)	7,775

Source: Annual and interim reports of the Company

<u>*For the year ended 31March 2010*</u>

As disclosed in the annual report of the Company, 2009/10 is one of the most challenging years for the Group's business operations. Although uncertainties of a long period of recession were dispelled by the optimistic signs of economy recovery, the operating environment for the enterprise software industry remained difficult with intense market competition.

During the year ended 31 March 2010, revenue from hardware sales and provision of maintenance services has increased by approximately 45.0% and 8.7% respectively as the number of customers has increased as compared with that for the previous year. However, revenue from software sales has decreased by approximately 26.0% as the operating environment for the enterprise software industry remained difficult with intense market competition. The major contribution of revenue for the year was from Hong Kong, representing approximately 80.0% of the total revenue (2009: 78%). The total revenue of approximately HK$89.1 million and loss attributable to shareholders of approximately HK$12.8 million were recorded for the year ended 31 March 2010. The decrease in revenue of 8.3% as compared with the previous year was principally due to the economic conditions pertaining to the IT industry. The Company recorded a loss before tax and total comprehensive loss of approximately HK$12,867,000 and approximately HK$11,839,000 respectively during the year ended 31 March 2010.

The Group has been undergoing an upgrade of certain software products from time to time to consolidate its market position. The Group's various software businesses recorded creditable performance. The Group's effort in developing new version of Human Resources Management System reaped returns gradually. The Group also managed to secure a few new clients in the second half of last year and expected the human resources management system would gain further popularity.

The Group had also started development of new version of its flagship products, FlexAccount Financial Management System.

For the year ended 31 March 2011

As disclosed in the annual report of the Company, the challenging business environment in Hong Kong continued during the year 2010/11. Overall economic conditions were improved and business activities started to pick up gradually. Demand for larger-scale IT projects were increased with more business opportunities in the market. To seize on these opportunities, the Group reinforced its sales efforts and deployed more resources to enhance product offerings. However, intense competition and heavy inflationary pressure constituted the difficulties and challenges for the Group to continue to grow and improve profits.

During the year ended 31 March 2011, revenue from the provision of maintenance services has increased by approximately 7.7% as the number of customers has increased as compared with that of the previous year. Moreover, revenue from software sales has also increased by approximately 23.8% as the market sentiment of the enterprise software industry has recovered. Hardware sales were relatively stable during the year and showed a mild increase of approximately 2.2% as compared to the previous year. Hong Kong remained as the major market of the Company where approximately 79% of the total revenue was generated (2010: 80%). Total revenue of approximately HK$102.0 million and loss attributable to shareholder of approximately HK$6.8 million were recorded for the year ended 31 March 2011. The increase in revenue of 14.5% as compared with the previous year was principally due to broadening of customer bases. The Company's performance was improved and loss was also reduced during the year ended 31 March 2011. The Company recorded a loss before tax and total comprehensive loss of approximately HK$6,762,000 and approximately HK$5,586,000 respectively during the year ended 31 March 2011.

For the six months ended 30 September 2011

In view of the challenging environment, the Group, in April 2011, disposed of the business of development and sale of enterprise software and provision of maintenance services which have been loss-making for over a year and directed its resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business. The Company then has been directing its resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business.

During the six months ended 30 September 2011, the Group recorded revenue of approximately HK$9,576,000, representing a decrease of approximately 79.6% compared with the corresponding period last year of approximately HK$46,827,000. The decrease in revenue was mainly attributed to the disposal of subsidiaries engaged in development and sale of enterprise software and relevant provision of the maintenance services (the "Disposal"). The disposal was completed on 13 April 2011. The disposal would allow the Group to streamline its business and direct its focus and resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business.

After the completion of the Disposal, the revenues from maintenance services segment and software sales segment decreased significantly as compared to the corresponding period in the previous year. In the contrast, revenue from the hardware sales segment increased by approximately 2.3% as compared to the corresponding period in the previous year. Hardware sales segment has become the major source of revenue to the Company as to approximately 63.5% of the total revenue for the six months ended 30

September 2011 as compared to approximately 12.7% for the corresponding period in the previous year.

Profit before tax of the Group for the six months ended 30 September 2011 was approximately HK$9,270,000 (including profit from the Disposal of approximately HK$10,822,000), compared with loss before tax of approximately HK$4,033,000 for corresponding period in the previous year. Total comprehensive income was approximately HK$7,775,000 due to a reclassification adjustment relating to the Disposal. The Group would otherwise record a loss of before tax of approximately HK$1,552,000 if such profit from the Disposal is excluded.

We further summarise below the audited/unaudited consolidated balance sheets of the Group as at the most recent financial year-end and as at 30 September 2011:

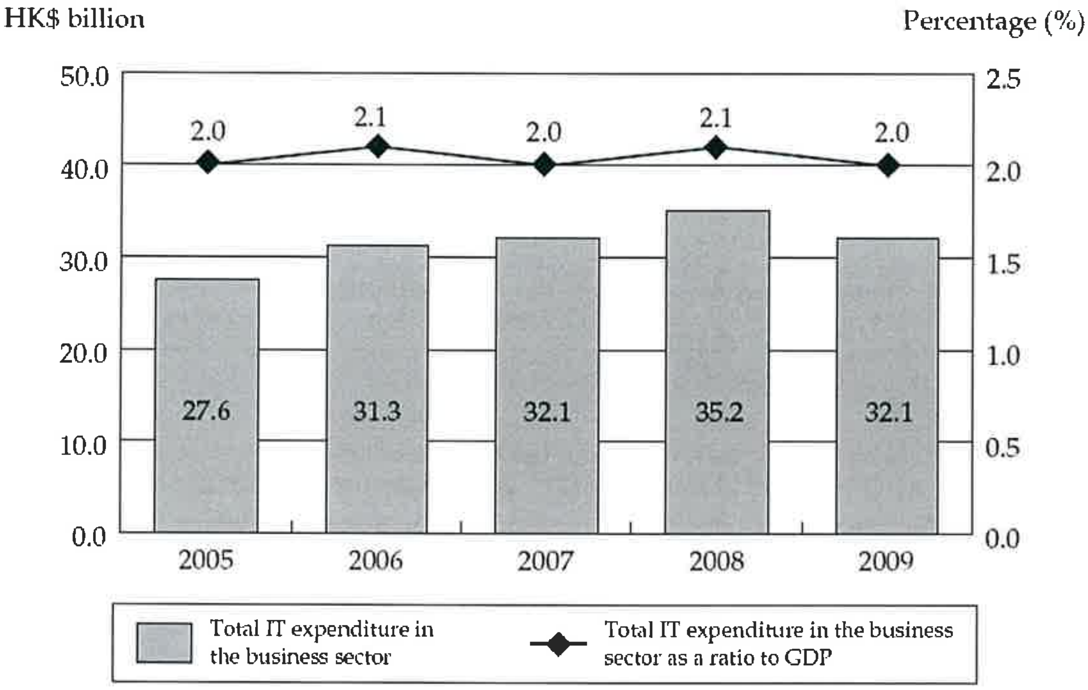
Expressed in HK$'000	**As at 31 March 2011 (audited)**		**As at 30 September 2011 (unaudited)**	
Non-current assets		**21,185**		**20**
Property, plant and equipment	20,181		20	
Interests in associates	989		-	
Available-for-sale investments	15		-	
Current assets		**49,438**		**11,638**
Inventories	525		-	
Trade and other receivables	21,440		3,218	
Current income tax assets	899		-	
Cash and cash equivalents	26,574		8,420	
Current liabilities				
Trade and other payables		**28,552**		**4,264**
Net assets		**42,071**		**7,394**

Source: Annual and interim reports of the Company

We note that, after the Disposal, the consolidated net asset value of the Group decreased from approximately HK$42.1 million (audited) as at 31 March 2011 to approximately HK$7.4 million (unaudited) as at 30 September 2011, out of which nearly 100% was current assets in nature. We have also obtained and reviewed the aging analysis of the trade receivables of the Group as at 30 September 2011 and noted that a majority of which was due within a month. On the other hand, the Group had no bank borrowing and had current liabilities as at 30 September 2011 mainly comprised of trade payables in relation to the purchases of IT products, such as servers and related hardware for trading purpose.

As stated in the letter from Quam Capital (the "Letter from Quam Capital"), the Offeror intends to continue the existing principal activities and existing business of the Group which includes development and sale of enterprise software and hardware products and the provision of maintenance services. As advised by the Company, the assets in relation to the Disposal are principally land and building which do not materially affect the existing business. On the other hand, we note from the circular dated 16 March 2011 of the Company in relation to, among other things, the Disposal that (i) businesses engaged by the Group and the disposed group are neither complementary nor inter-dependent upon each other; (ii) the business of the Group and disposed group had been operating independently in different office locations with different management teams and different operation staff according to different operation system of each of the Group and the disposed group; and (iii) the Group and the disposed group have different customer groups. In addition, we have reviewed the sales generated from the Group's major customers since the Disposal and we noted that the some of them have continued to place orders during the three months from October to December 2011. According to the information provided by the Company, we noted that the Company has maintained its total revenue for the nine months ended 31 December 2011 at the level comparable to that of the existing business of the Group for the same period in the previous year. Based on the above, we consider that the Company has the ability to continue its existing businesses after the Disposal.

Total information technology expenditure in the business sector as a ratio to GDP of Hong Kong



Source: Research report issued by Census and Statistics Department, Hong Kong in September 2011

According to the Census and Statistics Department of Hong Kong, the total IT expenditure in business sector was approximately HK$27.6 billion in 2005 and increased to the approximately HK$35.2 billion in 2008. As illustrated in the chart above, the total IT expenditure in business sector was stable at the level of over HK$30 billion between 2006 and 2009. On the other hand, the percentage of gross domestic product (GDP) represented by the total IT expenditure in business sector was also stable at the level between 2.0% and 2.1%. These figures suggest that the growth in local IT industry from 2005 and 2009 was slim. In view of the scale of the Company's business operation and its business focus on local market, we consider that the business environment of the Group is expected to be challenging as demonstrated by the continuous loss-making results of the Company.

As advised by the Company, the business of hardware sale has been playing a more important role and the contribution of the Company's total revenue was mainly derived from the hardware sale. We were also advised by the Company that customers (including some major customers) who have purchased IT hardware and/or software for major upgrade may not place orders in comparable amount to the Group again after the upgrade. On the other hand, due to the fast advancement of information technology and the frequent launch of new IT products, customer's preference and requirements also vary from time to time.

(ii) Share price performance and trading liquidity

The consideration for the Sale Shares is HK$133,000,000. We note that the Offer Price of approximately HK$0.3167 per Share is the rounded up figure of the said aggregate consideration of HK$133,000,000 as divided by a total of 420,000,000 Sale Shares, representing approximately 70.0% of the entire issue capital of the Company as at the date of the Agreement. The Offer Price represents:

(i) a discount of approximately 12.0% against the closing price of HK$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 10.5% against the average of the closing prices of HK$0.354 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 3.1% against the average of the closing prices of HK$0.327 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(iv) a premium of approximately 6.4% over the average of the closing prices of HK$0.298 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 2.9% over the average of the closing prices of HK$0.308 per Share as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 23.1% against the average of the closing prices of HK$0.412 per Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;

(vii) a discount of approximately 20.2% against the average of the closing prices of HK$0.397 per Share as quoted on the Stock Exchange for the last 250 trading days up to and including the Last Trading Day;

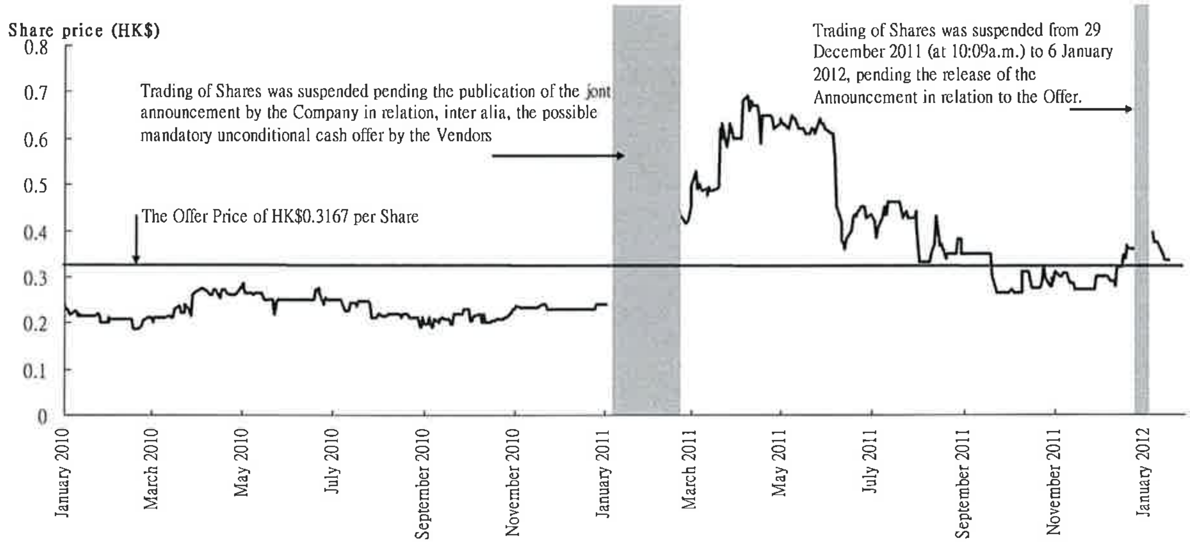
(viii) a premium of approximately 352.43% over the audited consolidated net asset value of approximately HK$0.07 per Share as at 31 March 2011, being the date of which the latest audited consolidated financial statements of the Company were made up;

(ix) a premium of approximately 2,495.9% over the unaudited consolidated net asset value of approximately HK$0.0122 per Share as at 30 September 2011, being the date of which the latest published interim consolidated balance sheet of the Company were made up; and

(x) a discount of approximately 5.5% against the closing price of HK$0.335 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

(a) Historical Share price performance

For the purpose of further comparing the Offer Price of HK$0.3167 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 January 2010 to 28 December 2011 (being the Last Trading Day) and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Infocast

Note:

1. *Trading of Shares was suspended from 6 January 2011 to 18 February 2011, pending the release of an announcement by the Company in relation to the possible mandatory unconditional cash offer by the Vendors.*

2. *Trading of Shares was suspended from 29 December 2011 (at 10:09a.m.) to 6 January 2012, pending the release of the Announcement in relation to the Offer.*

The closing price of the Shares during the year 2010 ranged from the lowest of HK$0.188 per Share recorded on 19 February 2010 and 22 February 2010 to the highest of HK$0.285 per Share recorded on 4 May 2010 and was therefore generally below the Offer Price.

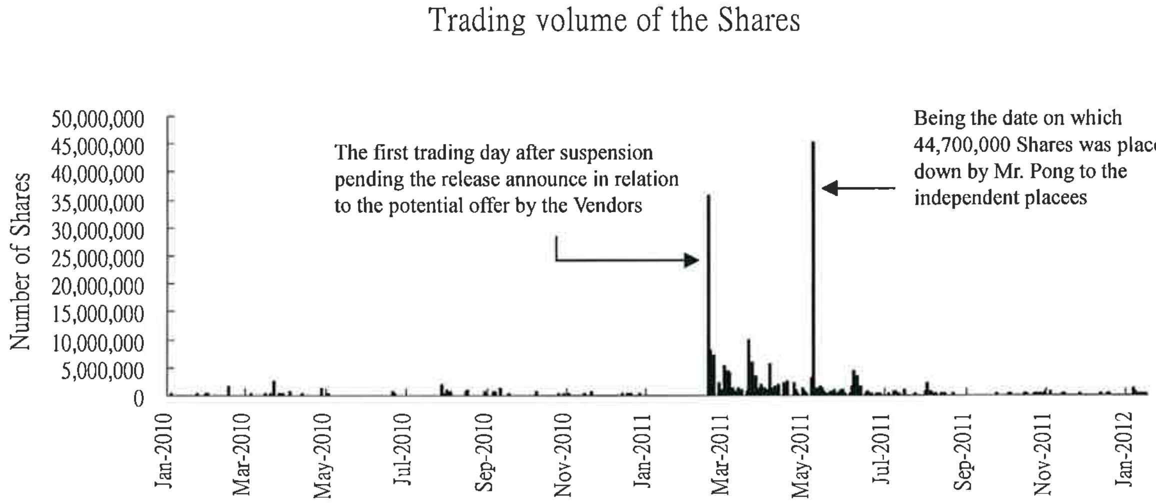
During the year 2011, the closing price of the Shares ranged from the lowest of HK$0.239 per Share recorded on 5 January 2011 to the highest of HK$0.69 per Share recorded on 11 April 2011. The Offer Price represents a premium of approximately 32.5% over the lowest closing price per Share and a discount of approximately 54.1% over the highest closing price per Share during the year 2011. The Offer Price also represents a discount of approximately 5.5% against the closing price per Share of HK$0.335 on the Latest Practicable Date.

We also noted that the closing prices of Shares increased substantially on 21 February 2011, which was incidental to the Company's announcement of the possible mandatory unconditional cash offer by the Vendors. Upon resumption of trading of the Shares on 21 February 2011, the closing price of the Company advanced to HK$0.59 per Share. We consider the surge in the price of the Shares might reflect the market response to the previous offer by the Vendors. The closing prices of the Shares were between HK$0.59 per Share and HK$0.67 per Share during the period of the abovementioned mandatory unconditional cash offer commenced on 15 April 2011 and ended on 6 May 2011. The closing prices of the Shares were not sustainable and fell to the level of HK$0.63 per Share after the close of the mandatory unconditional cash offer by the Vendors and further hit the lowest of HK$0.265 on 26 September 2011. Closing prices of the Shares were fluctuating at the levels lower than the Offer Price starting from October 2011 and rarely reached the levels higher than the Offer Price for the few trading days prior to the Last Trading Day.

Therefore, the Offer Price represents a premium over the closing prices of the Shares for most of the time during the Review Period.

(b) Liquidity

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: *Infocast*

Month	Highest daily turnover (number of Shares)	Lowest daily turnover (number of Shares)	Average daily turnover (number of Shares)	Number of trading days with no turnover (days)	Percentage of average daily turnover to total number of Shares in issue (%) (Note 1)	Percentage of average daily turnover to total number of Shares held by Independent Shareholders (%) (Note 2)
2010	2,336,000	0	112,353	123	0.019	0.019
2011						
Jan *(Note 3)*	0	0	0	3	0	0
Feb	35,742,000	2,194,000	10,264,333	0	1.71	8.50
Mar	9,796,000	102,000	2,139,652	0	0.36	1.77
Apr	5,664,000	138,000	1,602,667	0	0.27	1.33
May	45,392,000	42,000	3,014,800	0	0.50	1.82
Jun	4,302,000	0	763,333	2	0.13	0.46
Jul	834,000	0	170,600	6	0.03	0.10
Aug	2,180,000	0	250,087	7	0.04	0.15
Sep	404,000	0	50,522	14	0.01	0.03
Oct	424,000	0	115,500	8	0.02	0.07
Nov	508,000	0	92,000	12	0.02	0.06
Dec *(Note 4)*	314,000	0	58,316	11	0.01	0.04
2012						
Jan (from 1 January to the Latest Practicable Date)	1,130,000	0	261,000	2	0.04	0.16

Source: Infocast

Notes:

1. *Average daily trading volume is calculated by dividing the total trading volume for the month / period by the number of trading days during the month / period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day*
2. *Based on the total number of Shares held by Independent Shareholders at the end of the respective month / period.*
3. *Trading of Shares was suspended from 6 January 2011 to 18 February 2011, pending the release of an announcement by the Company in relation to the possible mandatory unconditional cash offer by the Vendors.*
4. *Trading of Shares was suspended from 29 December 2011 (at 10:09a.m.) to 6 January 2012, pending the release of the Announcement in relation to the Offer.*

During the Review Period as a whole, no trading of the Shares was recorded on 188 trading days on the Stock Exchange.

During the year 2010, the average daily trading volume of the Shares had been very thin, being approximately 112,353 Shares, representing approximately 0.019% of the total number of Shares held by Independent Shareholders during the year.

As illustrated in the table above, the average daily trading volume in 2011 was within the range of approximately 0% to 8.50%. Since trading of Shares was suspended during most of the time in January 2011, if excluding it from comparison, the lowest average daily trading volume was recorded in September 2011, being 0.03% of the total number of Shares held by Independent Shareholders at the end of the month and is higher than the average daily trading volume of the Shares for the year 2010. Trading of the Shares was suspended between 6 January 2011 and 18 February 2011 pending the publication of Company's announcement in relation to, inter alias, the possible mandatory unconditional cash offer by the Vendors. On 21 February 2011, being the date immediately following the aforesaid announcement was published and the trading of the Shares was resumed, the trading volume of the Shares further increased substantially to over 35.7 million Shares, representing approximately 29.6% of the total number of Shares held by Independent Shareholders.

Average daily trading volume of the Shares stayed at relatively high level as to approximately 1.77% and 1.33% of the total number of Shares held by Independent Shareholders in March 2011 and April 2011 respectively. Subsequent to the close of the period of the mandatory unconditional cash offer made by the Vendors on 6 May 2011, the Company has been informed by the Vendors that Mr. Pong, the ultimate beneficial owner and the sole director of the Offeror, has placed down 44,700,000 Shares (representing approximately 7.45% of the issued share capital of the Company) to independent placees through a placing agent on 11 May 2011. On 11 May 2011, the trading volume of the Shares further increased substantially to over 45.4 million Shares, representing 37.6% of the total number of Shares held by Independent Shareholders prior to the placement of Shares. The placing is unconditional and was completed on 13 May 2011. The trading volume of the Shares reduced significantly to the level of approximately 1.1 million Shares thereafter on 13 May 2011, representing approximately 0.67% of the total number of Shares held by Independent Shareholders following the placement of Shares. The average daily trading volume of the Shares then gradually further decreased to approximately 0.04% of the total number of Shares held by Independent Shareholders in December 2011 and then increased to approximately 0.16% up to the Latest Practicable Date.

In view of the above, we consider the liquidity of the Shares was generally thin during most of the time in the Review Period. As such, the Independent Shareholders who may wish to realize their investment in the Company, particularly 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. Accordingly, we consider that the market price of the Share may not necessarily reflect the proceeds which Independent Shareholders can receive by disposal of the Shares in the open market and, thus, the Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company.

(iii) Price-earnings multiple

As the Group is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services, price-earnings multiple is one of the most commonly used benchmarks for valuing the Company. However, the Group has been in a loss-making position and did not record any net profit attributable to Shareholders nor earnings before interest, tax, depreciation and amortization of the Company for the two years ended 31 March 2011 and has just undergone a corporate reorganization with the loss-making businesses which are engaged in development and sale of enterprise software and provision of maintenance services disposed. Meanwhile, we have reviewed the interim report of the Company for the six months ended 30 September 2011 and the management accounts of the Company for the nine months ended 31 December 2011 and noted that (i) the contributions to total revenue of the Group by each of the Group's principal businesses varied significantly during the first six months ended 30 September 2011; and (ii) although the Company has achieved a net profit for the said periods, it was primarily due to the gain on disposal of subsidiaries which was non-recurrent in nature. Therefore, if such gain on disposal of subsidiaries was to be excluded, the Company still recorded operating loss for the said periods. Therefore, the price-earnings multiple approach cannot give a meaningful result in valuing the Company and cannot be adopted.

(iv) Net asset value

As set out in the Letter from the Board, the aggregate consideration for the Sale Shares is HK$133,000,000 (equivalent to approximately HK$0.3167 per Sale Share) which was agreed between the Offeror and the Vendors after arm's length negotiations.

In assessing the Offer Price, we have considered two commonly adopted methodologies, namely the price-earnings multiple and the price-book multiple. Due to the factors mentioned in the previous section, the price-earnings multiple cannot give a meaningful result in assessing the Offer Price. In order to have another prospective for analyzing and assessing the Offer Price, we adopt the price-book multiple, which is a commonly used method in valuing companies, in particular loss-making companies, for our analysis. Upon reviewing the net asset position of the Group as at 30 September 2011, we note the asset value merely comprised of current assets of trade and other receivables and cash and cash equivalents which are less than the consideration of the Offer.

As the Company is predominantly engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services, we have searched the companies listed on the GEM of the Stock Exchange and identified 6 companies (the "Comparables") which have principal businesses similar to that of the Group comprising mainly (i) sale, distribution or trading of computer hardware or IT products; (ii) development and sale of software and solutions; and (iii) provision of IT, integration or maintenance services. The Comparables represent an exhaustive list and we consider them relevant and suitable for comparison. We summarise the price-book multiples of these comparable companies as represented by the Offer Price below:

Company Name (stock code)	**Principal Business**	**Price as at the Last Trading Date (1)**	**Latest published net asset value per share (HK$) (2)**	**PB Ratio (times) (3) = (1) / (2)**
China Information Technology Development Limited (8178)	(1) Sale of computer hardware; (2) Provision of software development and system integration services; (3) Provision of technical support and maintenance services; (4) Sale and lease of in-house developed computer hardware; and (5) provision of internet mobile and telecommunication value-added services	N/A[4]	0.016	N/A
China Netcom Technology Holdings Limited (8071)	(1) Trading of computer hardware and software; (2) development of computer software, hardware and application system; (3) sale of self developed technology or results; (4) provision of relevant technical consultancy services in the PRC	0.095	0.069	1.38 [1]

	(excluding Hong Kong); and (5) provision of staff secondment and exploration of mines			
Jiangsu Nandasoft Technology Company Limited (8045)	(1) Sale of computer hardware and software products, trading of IT related products and equipment and mobile phone; (2) Rendering of system integration services; and (3) Provision of IT training services	0.385	0.359	1.07 [1]
Sing Lee Software (Group) Limited (8076)	(1) Sale of software products; (2) Sale of related hardware products; and (3) Provision of software related technical support services	0.300	0.040	7.50 [1]
Shanghai Jiaoda Withub Information Industrial Company Limited (8205)	(1) Sales and distribution of computer and electrical products and accessories; and (2) Develop and provide business application solutions services which include business solutions development, application software and network and data security products.	0.200	0.182	1.10 [1]
Timeless Software Limited (8028)	(1) Hardware sales; (2) software development; and (3) software sale	0.162	0.084	1.93 [2]
	Min			1.07
	Max			7.50
	Mean			2.60
	Median			1.38
		Offer Price	**Unaudited consolidated net asset value per Share as at 30 September 2011** [3]	
The Company (8050)		0.3167	0.0122	25.96

Notes:

1. *Date of latest published account was 30 June 2011*
2. *Date of latest published account was 30 September 2011*
3. *Being the date of which the latest published interim consolidated balance sheet of the Company was made up.*
4. *Trading of shares of China Information Technology Development Limited is suspended during the Review Period.*

As illustrated in the above table, the Offer Price of HK$0.3167 per Share represents a price-book multiple of approximately 25.96 times which lies substantially above the maximum price-book multiple of the above comparable companies. Based on the above, we are of the opinion that the Offer Price is fair and reasonable.

(v) Dividend yield

We have reviewed the dividend payment history of the Company. Save and except for the special dividend of HK$0.0693 per Share declared after the Disposal in April 2011, the Company has not paid or declared any dividends to the Shareholders for each of the three financial years ended 31 March 2011. Accordingly, no basis can be formed to appraise the fairness and reasonableness of the Offer Price based on the historical dividend yield of the Company.

(vi) Background and intention of the Offeror regarding the Group

(a) Background of the Offeror

The Offeror is a company incorporated in the BVI on 5 July 2011 with limited liability and is principally engaged in investment activities. The Offeror is wholly and ultimately beneficially owned by Mr. Chan. Mr. Chan is the sole director of the Offeror. Before the date of the Sale and Purchase Agreement, the Offeror has not conducted any business since its incorporation. Save for the cash used and to be used for the settlement of the consideration for the Sale Shares and the Offer, the Offeror does not have any material assets as at the Latest Practicable Date.

Mr. Chan, aged 62, is a merchant and investor who has pursued investments in areas of maritime related industries, real estate and international trading, among others. He is currently actively involved in various telecommunications endeavors in the PRC.

(b) ***Intention of the Offeror regarding the Group***

It is the intention of the Offeror that the Group will continue its existing principal activities and existing business. 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 (i) for any acquisition or disposal of assets and/or business by the Group; (ii) to redeploy the fixed assets of the Company; and (iii) to discontinue the employment of the Group's employees as a result of the Offer.. Immediately after the close of the Offer, the Offeror will conduct a more detailed review on the operations of the Group with a view to develop a comprehensive corporate strategy to broaden the revenue base of the Group. The Offeror will evaluate all available opportunities to consider whether there are any assets and/or business acquisitions suitable for enhancing the overall growth of the Group and may consider further acquisition in such assets and/or business if there will be suitable opportunity. Should such opportunity(ies) materialize, further announcement(s) will be made by the Company as and when required by the GEM Listing Rules. The Offeror considers that the acquisition of the Sale Shares and the Offer represent an opportunity to invest in a majority stake in a listed vehicle which may serve as a platform for it to develop business opportunities it identifies from time to time. The Offeror therefore considers that the acquisition of the Sale Shares and the Offer are in its long-term commercial interest.

Pursuant to the Sale and Purchase Agreement, the Offeror has irrevocably and unconditionally undertaken to procure the change of the name of the Company from its present name to a new name that does not contain the words or expressions "Flex System" or any other similar words or expressions or any colourable intimation thereof, such change to be effective as soon as practicable after Completion but in any event within 120 days from Completion.

(c) ***Proposed change of Board composition of the Group***

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. The Offeror intends to nominate new Directors to the Board with effect from the day immediately after the date of dispatch of this Composite Document. 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.

(d) ***Maintaining 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.

Since the Company has been loss-making and is expected to face a challenging business environment, in the absence of any intention or any plan of the Offeror to introduce any major changes to the existing operation and business of the Company, we consider that a significant breakthrough in the Group's businesses in the near future is unlikely and the prospect of the Group is cautious. On the other hand, it is uncertain whether the new Directors to be nominated by the Offeror will bring any impact to existing Board and existing business of the Group. Based on the above, we consider that the Offer represents an alternative opportunity for the Independent Shareholders, in particular those are not confident in the new board of Directors or the future prospect of the Group, to realize their investment in the Company.

RECOMMENDATION ON THE OFFER

Having considered the principal factors set out above, in particular, the following:

(i) the Offer Price represents a premium of the closing price of the Share for most of the time during the Review Period;

(ii) the price-book multiple as represented by the Offer Price is 25.96 times based on the unaudited consolidated net asset value per Share as at 30 September 2011 and is significantly higher than those of the Comparables;

(iii) the low liquidity of trading of the Shares during the Review Period and the Offer provides an opportunity to the Independent Shareholders to dispose their Shares especially to those who have relatively sizeable shareholdings in the Company and their disposals may cast downward pressure on market price of the Shares;

(iv) given that (i) the Company has been loss-making for the past two financial years and is still making a loss (after excluding the gain on disposal of subsidiaries) for the nine months ended 31 December 2011 after the Disposal in April 2011; and (ii) the Group is expected to face a challenging business environment due to the slim growth in local IT industry;

(v) no dividend has been paid to the Shareholders for each of the three financial years ended 31 March 2011 except the special dividend of HK$0.0693 per Share declared after the Disposal in April 2011 which is one-off in nature; and

(vi) the Offeror's intention to (i) the Group's businesses which we consider unlikely to result in any significant breakthrough in the Group's businesses in near future; and (ii) the efficacy of proposed nomination of new Directors which we consider uncertain,

we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Offer.

Independent Shareholders are reminded that they should carefully closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer.

On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Quam Capital. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during most of the Review Period may render them difficult to dispose of their Shares in the market after the close of the Offers without exerting downward pressure on the price of the Shares. There is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable in the long term, or in the situation where the Offer fail to become unconditional.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Letter from Quam Capital and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

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

Alan Fung
Managing Director

Hickman Wong
Director