



# **FlexSystem Holdings Limited**

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(incorporated in the Cayman Islands with limited liability)  
Stock Code : 8050

Annual Report

# 2010



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of FlexSystem Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Lok Wai Man (*Chairman*)  
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

### COMPANY SECRETARY

Mr. Leung Wai Cheung

### QUALIFIED ACCOUNTANT

Mr. Leung Wai Cheung

### COMPLIANCE OFFICER

Mr. So Yiu King

### AUTHORISED REPRESENTATIVES

Mr. Lok Wai Man  
Mr. So Yiu King

### AUDIT COMMITTEE

Mr. Tse Lin Chung  
Mr. Lee Kar Wai  
Mr. Mak Wing Kwong, David

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### PRINCIPAL BANKERS

Hang Seng Bank Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Block A, 4th Floor  
Eastern Sea Industrial Building  
29-39 Kwai Cheong Road  
Kwai Chung  
New Territories  
Hong Kong

### REGISTERED OFFICE

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

### COMPANY HOMEPAGE

[www.flexsystem.com](http://www.flexsystem.com)

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited  
Butterfield House, Fort Street  
P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

### STOCK CODE

8050

## CHAIRMAN'S STATEMENT

On behalf of the board of directors, I present the result of FlexSystem Holdings Limited for the year ended 31 March 2010.

### BUSINESS REVIEW

2009/10 is one of the most challenging years for our 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.

To consolidate FlexSystem's market position, we had been undergoing a completed upgrade of all software products. The Group's various software businesses recorded creditable performance. Our effort in developing new version of Human Resources Management System reaped returns gradually. We managed to secure a few new clients in the second half of last year and expected our HR system would gain further popularity.

One of FlexSystem's flagship products-FlexAccount Financial Management System, had already started the development of its new version. The innovative functions and enriched user experience would attract more new client and existing customer for system upgrade. The Group expected there would be the most large-scale system upgrade in this decade when the new version to be launched in 2011.

### FINAL DIVIDEND

The board of directors does not recommend a final dividend payment for the year ended 31 March 2010.

### OUTLOOK

The Group expects software developers in Hong Kong IT market will be under challenges in the year ahead. By expanding our product portfolio in our enterprise solution business, we believe we are well prepared for business growth as the economic conditions improve.

Finally, I would like to take this opportunity to express my thanks to all my fellow directors and staff to their continuous support and contribution.

**Lok Wai Man**  
*Chairman*

Hong Kong, 23 June 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the year ended 31 March 2010, turnover of approximately HK\$89 million and loss attributable to shareholders of approximately HK\$13 million were recorded. The decrease in turnover of 8.3% as compared with the last corresponding year was principally due to the economic conditions pertaining to the IT industry.

### FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2010, the shareholders' funds of the Group amounted to approximately HK\$48 million. Current assets were approximately HK\$50 million, mainly comprising bank balances and cash of approximately HK\$31 million, inventories of approximately HK\$0.7 million and trade and other receivables of approximately HK\$18 million. Current liabilities were approximately HK\$26 million, mainly comprising trade and other payables of approximately HK\$26 million and taxation payable of approximately HK\$0.06 million. The net asset value per share was approximately HK\$0.08. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 2010, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.9:1 (As at 31 March 2009: 2.7:1), reflecting the adequacy of financial resources.

### EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

### SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSAL

During the year ended 31 March 2010, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

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

### CAPITAL COMMITMENTS

As at 31 March 2010, the Group had operating lease commitments in respect of rented office premises of approximately HK\$1,743,000 (2009: HK\$3,070,000). As at 31 March 2010 and 2009, the Group had no significant capital commitment and has no future plans for material investment.

### CONTINGENT LIABILITIES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGES ON THE GROUP'S ASSETS

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group had 336 employees (2009: 319 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2010 amounted to approximately HK\$64 million (2009: HK\$59 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC and Singapore.

### SEGMENT INFORMATION

#### Business segments

During the year under review, the turnover of maintenance services has increased by approximately 8.7% as the number of customers have increased as compared with that for the previous year. However, the turnover of software sales has decreased by approximately 26% as the operating environment for the enterprise software industry remained difficult with intense market competition.

#### Geographical segments

The major contribution of turnover is still from Hong Kong. Turnover from the Hong Kong segment represented approximately 80% of the total turnover (2009: 78%). The high percentage of the Hong Kong segment is mainly due to the fact that the Group deploys more resources on the local market.

In the PRC, the turnover has decreased by approximately 9% to approximately HK\$10 million as compared with the previous year.

#### Future plans for material investments or capital assets

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

## CORPORATE GOVERNANCE REPORT

### 1. CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

### 2. COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the twelve months ended 31 March 2010.

### 3. EFFECTIVE AND EXPERIENCED BOARD

#### Board Composition

The Board currently comprises of the following members:

#### *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

#### Board Meeting

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the board of directors are as follows:

	Attendance/Number of Meetings	
	Board	Audit Committee
Mr. Lok Wai Man	4/4	N/A
Mr. So Yiu King	4/4	N/A
Mr. Chow Chi Ming, Daniel	4/4	N/A
Mr. Tse Lin Chung	4/4	4/4
Mr. Lee Kar Wai	3/4	3/4
Mr. Mak Wing Kwong, David	3/4	3/4

## CORPORATE GOVERNANCE REPORT

### Practices and Conduct of Meetings

Annual meeting schedules and draft agendas of the Board and committee meetings are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members at least 3 days before each Board meeting or committee meeting to keep the directors/committee members apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Compliance Officer, Qualified Accountant and Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

## CORPORATE GOVERNANCE REPORT

### 4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Mr. Lok Wai Man serving the dual role of chairman and chief executive officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- In view of the Company size, it is not justified in separating the role of chairman and chief executive officer;
- The Company has in place internal controls to provide check and balance on the functions.

Mr. Lok Wai Man is primarily responsible for leadership of the Company and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with other executive directors and senior management of each business unit.

Thus, the Company considers that this structure will not impair the balance of power and authority between the board and the management of the Company.

### 5. AUDIT COMMITTEE

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

The Audit Committee meets four times a year to review with senior management and once to twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2010 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## CORPORATE GOVERNANCE REPORT

### 6. REMUNERATION COMMITTEE

The remuneration committee was established in November 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provision B.1.3.

The composition of the remuneration committee include chairman, Mr. Lok Wai Man and two independent non-executive directors, Mr. Tse Lin Chung and Mr. Lee Kar Wai.

The remuneration committee meets annually, or on an as needed basis, to review the recommendation from the chief executive officer on the compensation and incentive scheme to be provided to senior management.

During the period under review, a meeting of the remuneration committee was held in February 2010. Details of the attendance of members at remuneration committee meeting are as follows:

	<b>Attendance/Number of Meetings</b>
Mr. Lok Wai Man	1/1
Mr. Tse Lin Chung	1/1
Mr. Lee Kar Wai	1/1

The policy for the remuneration of executive directors is:

- To ensure that none of the directors should determine their own remuneration;
- The remuneration should be broadly aligned with companies with which the Company competes for human resources;
- The Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance;
- The remuneration should reflect the performance, complexity of duties and responsibility of the individual.

### 7. AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, the Group has incurred an aggregate of HK\$350,000 to the external auditor for its auditing services.

## CORPORATE GOVERNANCE REPORT

### 8. CODE OF CONDUCT AND BUSINESS ETHICS

Guidelines of the Group's business ethical practices are set out in the Company's Staff Handbook applicable to all directors and staff.

### 9. DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with Rules 5.48 to 5.67 of the GEM Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than those set out in Rules. No incident of non-compliance was noted by the Company in 2010.

### 10. INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls in the Company and reviewing its effectiveness through the Audit Committee. It has delegated to executive management the implementation of such system of internal controls and reviewing of relevant financial, operational and compliance controls and risk management procedures.

A tailored governance framework with defined lines of responsibility and appropriate delegation of authority is structured so as to increase the risk awareness across the Group's business operations. An Operation Support Group was also established, under the supervision of the chief financial officer, to centralise the function and control exercised over the treasury activities, financial and management reporting, and human resources functions and computer systems.

The Group's Corporate Governance Division ("CGD"), under the supervision of the Group Chief Compliance Officer, independently reviews these controls, and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee. A Three-Year Strategic Audit Plan for the internal control review, prepared based on risk assessment methodology, was approved by the Audit Committee at the commencement of the three-year cycle. The scope of the work performed includes financial and operational reviews and productivity efficiency reviews. Internal Control Review Reports are sent to the chief executive officer, chief financial officer and the relevant management. A summary of major findings is reported at the quarterly Audit Committee Meeting. Follow up on all recommendations is also performed on a periodic basis to ensure all agreed recommendations have been satisfactorily and timely implemented.

## CORPORATE GOVERNANCE REPORT

Based on the assessments made by senior management, the CGD (internal auditors) in 2010 and up to the date of approval of this report, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication.
- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

### 11. DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 March 2010.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report contained in this annual report for the year ended 31 March 2010.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

*Mr. Lok Wai Man*, aged 50, is the founder and chief executive officer of the Group. Mr. Lok is responsible for the Group's overall strategic planning and development. He has over 24 years of experience in the field of computer software industry and worked as a systems engineer in a software company in Hong Kong. Mr. Lok initiated and has been directly involved in the development of the FlexAccount products and the proprietary Internet enabling technology, Soma\*AI, of the Group.

*Mr. So Yiu King*, aged 49, is the corporate development director of the Group. He is responsible for the finance and corporate development of the Group. He has more than 16 years of experience in accounting and finance and system development in Hong Kong. Prior to 1991, Mr. So worked for Hong Kong listed companies as a financial controller. Mr. So is one of the founding members and also the president of IT Accountants Association in Hong Kong, an organisation helping the accounting professionals to prepare for the digital challenge. Mr. So is the endorsement certificate holder in Accountancy from Hong Kong Polytechnic. He also completed a marketing management program from National University of Singapore in 1995 and a senior executive management course in Peking University in 1999. Moreover, he is the holder of Professional Diploma in Information Technology from the Hong Kong Management Association. Mr. So joined the Group in May 2000.

*Mr. Chow Chi Ming*, Daniel, aged 45, is the technical director of the Group. He is responsible for supervising and coordinating the research and development and technical support functions of the Group, Mr. Chow has over 21 years of experience in developing large-scale tailor-made system and multi-user networking solutions. Prior to joining the Group in 1993, Mr. Chow worked for other software company and IT consulting firm. Mr. Chow is the technology consultant of IT Accountants Association in Hong Kong.

#### Independent Non-Executive Directors

*Mr. Tse Lin Chung*, aged 49, is a practicing solicitor. He graduated from the University of Hong Kong in 1985 with a Bachelor of Social Sciences degree. In 1988, he obtained a Bachelor of Laws degree from the University of London and in 1989, a Postgraduate Certificate in Laws from the University of Hong Kong. He was qualified as a solicitor in Hong Kong in 1991 and in England and Wales in 1992. He is the founding partner of Yip, Tse & Tang (formerly known as Yip & Tse), solicitors since 1994. He is the chief executive officer of Internet Solicitor.com founded in 1999 and it operates the legal information portal site of solicitor.com.hk founded in 1997. Since early 2000, he has been offering seminars on e-commerce and Internet laws to executives of e-commerce and IT fields. Mr. Tse joined the Group in May 2000.

*Mr. Lee Kar Wai*, aged 61, is the financial director for Kanghong Digital Image (HK) Ltd. He was previously the company secretary and CFO for CB Richard Ellis Limited. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He graduated with a Master degree in Accounting Science from University of Illinois, at Urbana – Champion, Illinois in the U.S. and a bachelor degree in Business Administration (Accounting) from University of Texas at Arlington in the U.S. in 1976 and 1975 respectively. Mr. Lee joined the Group in November 2000.

## BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

*Mr. Mak Wing Kwong, David, aged 48, is currently the managing director of Wing Dynasty Ltd. He worked in IDT Electronic Products Ltd as President for about 4 years and managing director of VTech Computers Systems for 12 years. He has 24 years of experiences in MNC and managing international S&M and factory operations especially in information technology and electronics industries. He holds a Master of Science degree in International Marketing from Strathclyde University (MSc IM), Diploma in Management Studies from Hong Kong Polytechnic University (DMS) and Diploma in Company Direction from The Hong Kong Institute of Directors (DipCD). He is the fellow member of the Hong Kong Institute of directors (FHKIod) and member of Chartered Institute of Marketing (MCIM). Mr. Mak joined the Group in September 2004.*

### SENIOR MANAGEMENT

*Mr. Leung Wai Cheung, aged 45, is the chief financial officer and company secretary of the Group. Mr. Leung is a qualified accountant and chartered secretary with over 20 years of experience in accounting and auditing and over 10 years of experience in financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from The Hong Kong Polytechnic University. He 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. Mr. Leung joined the Group in May 2000.*

*Mr. Chan Yu Ki, Terrence, aged 44, is the associate director (support division) of the Group. He is responsible for the overall supervision and management of the Group's customer support department. Mr. Chan also helps to co-ordinate the development and implementation of new products with the Group's marketing efforts. Mr. Chan has over 15 years of experience in customer system support and holds a Diploma in Business Administration from Shue Yan College. Mr. Chan joined the Group in 1992.*

*Mr. Lau Tak Shun, Saiki, aged 41, is the associate director (R&D division) of the Group. He is responsible for the overall supervision and management of the Group's development team. He also concentrates on new product development and technology research. Mr. Lau has over 17 years of experience in product development in the Accounting package in Hong Kong and Mainland China. Mr. Lau joined the Group in 1993.*

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 March 2010.

### PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

The Group is principally engaged in the development and sale of enterprise software in Hong Kong, the People's Republic of China (the "PRC") and other Asia Pacific countries. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's turnover and operating segment for the year are set out in note 5 to the financial statements.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 24.

No interim dividend was paid during the year.

The directors did not recommend the payment of a final dividend for the year ended 31 March 2010.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 25 and 26 to the financial statements, respectively.

### PRE-EMPTIVE RIGHT

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 27 to the financial statements respectively.

## REPORT OF THE DIRECTORS

### DISTRIBUTABLE RESERVES

As at 31 March 2010, in the opinion of the directors, the Company's reserve available for distribution to shareholders (comprising share premium) amounted to approximately HK\$79,872,000.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
<b>RESULTS</b>					
Turnover	71,497	79,982	100,702	97,149	<b>89,106</b>
Profit/(loss) before income tax	1,881	3,835	19,026	3,177	<b>(12,867)</b>
Income tax	685	1,679	1,225	202	<b>35</b>
Profit/(loss) for the year	2,566	5,514	20,251	3,379	<b>(12,832)</b>
Attributable to:					
Equity holders of the Company	2,566	5,722	20,038	3,360	<b>(12,810)</b>
Minority interests	–	(208)	213	19	<b>(22)</b>
	2,566	5,514	20,251	3,379	<b>(12,832)</b>
<b>ASSETS AND LIABILITIES</b>					
Total assets	60,875	66,041	82,659	80,300	<b>73,587</b>
Total liabilities	(24,085)	(23,839)	(23,224)	(20,804)	<b>(25,930)</b>
	36,790	42,202	59,435	59,496	<b>47,657</b>
Attributable to:					
Equity holders of the Company	35,948	41,568	58,588	58,630	<b>46,813</b>
Minority interests	842	634	847	866	<b>844</b>
	36,790	42,202	59,435	59,496	<b>47,657</b>

## REPORT OF THE DIRECTORS

### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2010.

### SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme have been set out in note 26 to the financial statements.

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

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### 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

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

In accordance with Article 87 of the Company's Articles of Association and Rule A.4.2 of Appendix 15 of the GEM Listing Rules, Mr. Tse Lin Chung and Mr. Mak Wing Kwong, David will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of two years commencing from 1 July 2000 and which will continue thereafter until terminated by three months' notice in writing served by either party on the other.

## REPORT OF THE DIRECTORS

Two of the independent non-executive directors were appointed for a term of two years commencing from their appointment date. One of the independent non-executive directors was appointed for an initial fixed term of one year commencing from his appointment date and which will be automatically renewed thereafter until terminated by three months' notice in writing served by either party on the other.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2010, which do not constitute connected transactions under the GEM Listing Rules are disclosed in note 31 to the financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2010, the interests and short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

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

## REPORT OF THE DIRECTORS

### Notes:

1. Mr. Lok Wai Man, being a substantial shareholder of the Company entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company, is regarded as an initial management shareholder (as defined in the GEM Listing Rules) of the Company. Mr. So Yiu King and Mr. Chow Chi Ming, Daniel are executive directors of the Company and Mr. Leung Wai Cheung is the executive of the Company and are also considered to be initial management shareholders of the Company.
2. The 475,500,000 shares were held by SomaFlex Holdings Inc., a private company beneficially owned by Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel and Mr. Leung Wai Cheung. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holdings Inc., he is deemed, by virtue of the SFO, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc.. The indirect interest of the other remaining directors are the corresponding number of shares held by SomaFlex Holdings Inc. by reference to their respective shareholdings in SomaFlex Holdings Inc..

No share options were granted by the Company and no debt securities were issued by the Company at any time during the year ended 31 March 2010.

Save as disclosed above, as at 31 March 2010, none of the directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Number of shares			Percentage of issued share capital
	Personal interests	Corporate interests	Total	
SomaFlex Holdings Inc. (Note 1)	Nil	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man (Note 2)	3,798,000	475,500,000	479,298,000	79.88%

### Notes:

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

## REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 March 2010, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2010, the largest and the five largest suppliers of the Group accounted for approximately 54% and 81% of the Group's total purchases respectively. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## BOARD PRACTICES AND PROCEDURES

During the year, the Company was in compliance with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2010. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 March 2010.

## AUDIT COMMITTEE

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

## REPORT OF THE DIRECTORS

The Audit Committee meets four times a year to review with senior management and once to twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2010 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a 20% public float in accordance with the rule 17.38A of the GEM Listing Rules. There is a grace period of three years to comply with the public float requirement under rule 11.23 of the GEM Listing Rules by no later than 30 June 2011.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2010, none of the directors or the initial management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## AUDITORS

The accompanying financial statements were audited by Messrs. HLB Hodgson Impey Cheng.

A resolution for the re-appointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Lok Wai Man**  
*Chairman*

Hong Kong, 23 June 2010

## INDEPENDENT AUDITORS' REPORT



Chartered Accountants  
Certified Public Accountants

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

### TO THE SHAREHOLDERS OF FLEXSYSTEM HOLDINGS LIMITED

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

We have audited the consolidated financial statements of FlexSystem Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 76, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

## INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **HLB Hodgson Impey Cheng**

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 23 June 2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

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

## CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>			
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	–	–
		<b>23,462</b>	<b>25,187</b>
<b>Current assets</b>			
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
		<b>50,125</b>	<b>55,113</b>
<b>Total assets</b>		<b>73,587</b>	<b>80,300</b>
<b>Current liabilities</b>			
Trade and other payables	24	25,870	20,606
Current income tax liabilities		60	74
		<b>25,930</b>	<b>20,680</b>
<b>Net current assets</b>		<b>24,195</b>	<b>34,433</b>
<b>Total assets less current liabilities</b>		<b>47,657</b>	<b>59,620</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	28	–	124
<b>Net assets</b>		<b>47,657</b>	<b>59,496</b>
<b>Capital and reserves</b>			
Share capital	25	60,000	60,000
Reserves		(13,187)	(1,370)
<b>Capital and reserves attributable to equity holders of the Company</b>		<b>46,813</b>	<b>58,630</b>
<b>Minority interests</b>		<b>844</b>	<b>866</b>
<b>Total equity</b>		<b>47,657</b>	<b>59,496</b>

Lok Wai Man  
Director

So Yiu King  
Director

## BALANCE SHEET

As at 31 March 2010

	<i>Note</i>	<b>2010 HK\$'000</b>	2009 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	15	21,906	14,187
Available-for-sale financial assets	19	511	343
		<b>22,417</b>	14,530
<b>Current assets</b>			
Prepayments	22	145	112
Bank balances and cash	23	16,820	24,409
		<b>16,965</b>	24,521
<b>Total assets</b>		<b>39,382</b>	39,051
<b>Current liabilities</b>			
Accruals	24	268	240
<b>Net current assets</b>		<b>16,697</b>	24,281
<b>Total assets less current liabilities</b>		<b>39,114</b>	38,811
<b>Net assets</b>		<b>39,114</b>	38,811
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	25	60,000	60,000
Reserves	27	(20,886)	(21,189)
<b>Total equity</b>		<b>39,114</b>	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 HK\$'000 (Note 25)	Share premium HK\$'000	Merger reserve HK\$'000 (Note)	Translation reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 April 2008	60,000	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)	847	59,435
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	3,360	3,360	19	3,379
<b>Other comprehensive income</b>									
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
<b>Comprehensive income</b>									
Loss for the year	-	-	-	-	-	(12,810)	(12,810)	(22)	(12,832)
<b>Other comprehensive income</b>									
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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

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                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

- 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 <sup>1</sup>                         |
| • HKAS 7 (amendment)            | Statement of cash flows <sup>1</sup>                                      |
| • HKAS 17 (amendment)           | Leases <sup>1</sup>                                                       |
| • HKAS 24 (revised)             | Related party disclosures <sup>4</sup>                                    |
| • HKAS 27 (revised)             | Consolidated and separate financial statements <sup>2</sup>               |
| • HKAS 32 (amendment)           | Classification of rights issue <sup>5</sup>                               |
| • HKAS 36 (amendment)           | Impairment of assets <sup>1</sup>                                         |
| • HKAS 38 (amendment)           | Intangible assets <sup>2</sup>                                            |
| • HKAS 39 (amendment)           | Financial instruments: Recognition and measurement <sup>1, 2</sup>        |
| • HKFRS 2 (amendment)           | Share-based payments <sup>1,2</sup>                                       |
| • HKFRS 3 (revised)             | Business combination <sup>2</sup>                                         |
| • HKFRS 5 (amendment)           | Non-current assets held for sale and discontinued operations <sup>1</sup> |
| • HKFRS 8 (amendment)           | Operating segments <sup>1</sup>                                           |
| • HKFRS 9                       | Financial instruments <sup>3</sup>                                        |
| • HK(IFRIC) – Int 9 (amendment) | Reassessment of embedded derivatives <sup>2</sup>                         |
| • HK(IFRIC) – Int 14            | Prepayments of a minimum funding requirement <sup>4</sup>                 |
| • HK(IFRIC) – Int 16            | Hedges of a net investment in a foreign operation <sup>2</sup>            |
| • HK(IFRIC) – Int 17            | Distributions of non-cash assets to owners <sup>2</sup>                   |
| • HK(IFRIC) – Int 19            | Extinguishing financial liabilities with equity instruments <sup>6</sup>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

*Notes:*

- <sup>1</sup> *Changes effective for annual periods beginning on or after 1 January 2010.*
- <sup>2</sup> *Changes effective for annual periods beginning on or after 1 July 2009.*
- <sup>3</sup> *Changes effective for annual periods beginning on or after 1 January 2013.*
- <sup>4</sup> *Changes effective for annual periods beginning on or after 1 January 2011.*
- <sup>5</sup> *Changes effective for annual periods beginning on or after 1 February 2010.*
- <sup>6</sup> *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Consolidation (continued)

##### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Consolidation (continued)

##### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4 Foreign currency translation (continued)

##### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4 Foreign currency translation (continued)

##### (c) Group companies (continued)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5 Property, plant and equipment (continued)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 Financial assets (continued)

##### 2.7.1 Classification (continued)

###### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 Financial assets (continued)

##### 2.7.2 Recognition and measurement (continued)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.9 Impairment of financial assets (continued)

##### (a) *Assets carried at amortised cost* (continued)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.9 Impairment of financial assets (continued)

##### (a) *Assets carried at amortised cost* (continued)

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 ownership, 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 ownership 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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 investments 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (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 shareholders, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Fair value estimation

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Fair value estimation (continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 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 HK\$'000	2009 HK\$'000
<b>Revenue</b>		
Software	41,864	56,565
Services	34,709	31,942
Other operations	12,533	8,642
	<b>89,106</b>	97,149

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5. REVENUE AND SEGMENT INFORMATION (continued)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5. REVENUE AND SEGMENT INFORMATION (continued)

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

	Software HK\$'000	Services HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Group 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 HK\$'000	Services HK\$'000	Other operations HK\$'000	Total 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5. REVENUE AND SEGMENT INFORMATION (continued)

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

	Software HK\$'000	Services HK\$'000	Other operations HK\$'000	Total 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 HK\$'000	Services HK\$'000	Other operations HK\$'000	Total 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 HK\$'000	Services HK\$'000	Other operations HK\$'000	Total 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 5. REVENUE AND SEGMENT INFORMATION (continued)

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

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

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 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>		
Hong Kong	22,144	23,867
PRC	638	746
Other countries	154	216
	<b>22,936</b>	<b>24,829</b>

### 6. OTHER INCOME

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 7. EXPENSES BY NATURE

	2010 HK\$'000	2009 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 overseas 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 HK\$'000	2009 HK\$'000
<b>Current income tax</b>		
– Hong Kong profits tax	–	46
– Overseas taxation	89	377
– Over-provision in prior years	–	(113)
<b>Deferred income tax (Note 28)</b>	<b>(124)</b>	<b>(512)</b>
Tax credit	<b>(35)</b>	<b>(202)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Salaries, wages and other benefits	<b>60,893</b>	56,825
Pension costs – defined contribution schemes	<b>2,666</b>	2,460
Total employee benefit expense (including directors' remuneration)	<b>63,559</b>	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 12. EMPLOYEE BENEFIT EXPENSE (continued)

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

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

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

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 12. EMPLOYEE BENEFIT EXPENSE (continued)

#### (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 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	2,096	2,410
Employer's contributions to defined contribution schemes	78	36
	<b>2,174</b>	2,446

  

	2010 Number of Individuals	2009 Number of Individuals
The emoluments fell within the following band:		
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 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
In Hong Kong held on:		
– Medium-term lease of 10 to 50 years	11,791	12,108

  

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 14. PROPERTY, PLANT AND EQUIPMENT

	Group					Total HK\$'000
	Building	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 April 2008</b>						
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
<b>Year ended 31 March 2009</b>						
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
<b>At 31 March 2009</b>						
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
<b>Year ended 31 March 2010</b>						
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
<b>At 31 March 2010</b>						
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 15. INVESTMENTS IN SUBSIDIARIES

#### (a) Investments in subsidiaries

	Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	47,550	47,550
Amounts due from subsidiaries (Note (b))	77,356	69,637
	<b>124,906</b>	117,187
Less: Provision for impairment	<b>(103,000)</b>	(103,000)
	<b>21,906</b>	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
<i>Subsidiary held directly:</i>				
SomaFlex International Inc.	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%
<i>Subsidiaries held indirectly:</i>				
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%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 15. INVESTMENTS IN SUBSIDIARIES (continued)

#### (a) Investments in subsidiaries (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
<i>Subsidiaries held indirectly: (continued)</i>				
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%
Master Regal Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$1 each	60%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 15. INVESTMENTS IN SUBSIDIARIES (continued)

#### (a) Investments in subsidiaries (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
<i>Subsidiaries held indirectly: (continued)</i>				
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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 16. INVESTMENTS IN ASSOCIATES

	Group	
	2010 HK\$'000	2009 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)
	<b>2,600</b>	2,633
	<b>1,191</b>	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%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 16. INVESTMENTS IN ASSOCIATES (continued)

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

	2010 HK\$'000	2009 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 HK\$'000	2009 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 HK\$'000	2009 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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
<b>Total</b>		<b>50,960</b>	<b>526</b>	<b>51,486</b>

#### Liabilities per consolidated balance sheet

31 March 2010	Note	Amortised cost HK\$'000
Trade and other payables	24	9,731
<b>Total</b>		<b>9,731</b>

#### 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
<b>Total</b>		<b>56,042</b>	<b>358</b>	<b>56,400</b>

#### Liabilities per consolidated balance sheet

31 March 2009	Note	Amortised cost HK\$'000
Trade and other payables	24	8,041
<b>Total</b>		<b>8,041</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 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 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Equity securities listed in Hong Kong, at fair value	511	343	511	343
Unlisted equity securities, at cost less impairment ( <i>Note</i> )	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 20. AMOUNTS DUE FROM INVESTEE COMPANIES

	Group	
	2010 HK\$'000	2009 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 HK\$'000	2009 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 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade receivables ( <i>Note (a)</i> )	14,804	14,157	-	-
Prepayments, deposits and other receivables	2,148	2,320	145	112
Advances to staff ( <i>Note (e)</i> )	852	1,075	-	-
	17,804	17,552	145	112

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 22. TRADE AND OTHER RECEIVABLES (continued)

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 HK\$'000	2009 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
	<b>14,804</b>	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 HK\$'000	2009 HK\$'000
91 – 180 days	1,832	2,766
181 – 365 days	2,977	2,267
Over 365 days	2,291	2,029
	<b>7,100</b>	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 HK\$'000	2009 HK\$'000
Over 365 days	5,205	5,402

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 22. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2010 HK\$'000	2009 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 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 24. TRADE AND OTHER PAYABLES

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

Notes:

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

	Group	
	2010 HK\$'000	2009 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
	<b>3,294</b>	<b>1,457</b>

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

### 25. SHARE CAPITAL

	Company	
	2010 HK\$'000	2009 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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 person'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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 27. RESERVES

	Company			
	Share premium <i>HK\$'000</i>	Available- for-sale investments reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>
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	<b>79,872</b>	<b>(629)</b>	<b>(100,432)</b>	<b>(21,189)</b>
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
<b>As at 31 March 2010</b>	<b>79,872</b>	<b>(461)</b>	<b>(100,297)</b>	<b>(20,886)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 28. DEFERRED INCOME TAX

Deferred income tax liabilities:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
(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 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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	
	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Management service fee received from an associate	<i>(a)</i>	–	6
Maintenance service fee received from an associate	<i>(b)</i>	1,135	1,446
Software royalty incomes received from an associate	<i>(b)</i>	11	39
Software royalty expenses paid to associates	<i>(b)</i>	3,683	2,667
Management service fee received from investee companies	<i>(a)</i>	–	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 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Short-term employee benefits	3,509	3,636
Post employment benefits	115	117
	<b>3,624</b>	<b>3,753</b>

### 32. COMPARATIVE FIGURES

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