FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

annual 2011 report

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.

This report, for which 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 the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lau Wai Shu *(Chairman)*
Mr. Sit Hon Cheong *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Sit Hon Cheong

COMPLIANCE OFFICER

Mr. Lau Wai Shu

AUTHORISED REPRESENTATIVES

Mr. Lau Wai Shu
Mr. Sit Hon Cheong

AUDIT COMMITTEE

Mr. Yip Tai Him *(Chairman)*
Mr. Lung Hung Cheuk
Ms. Yeung Wing Yan, Wendy

REMUNERATION COMMITTEE

Mr. Lung Hung Cheuk *(Chairman)*
Mr. Yip Tai Him
Ms. Yeung Wing Yan, Wendy

NOMINATION COMMITTEE

Ms. Yeung Wing Yan, Wendy *(Chairman)*
Mr. Yip Tai Him
Mr. Lung Hung Cheuk

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

COMPANY HOMEPAGE

http://ir.sinodelta.com.hk/8050/

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 (the "Board") of FlexSystem Holdings Limited (the "Company"), I hereby present the results of the Company for the year ended 31 March 2011.

During the year ended 31 March 2011, revenue of approximately HK$102 million and loss attributable to owners of approximately HK$7 million were recorded. The increase in revenue of 15% as compared with the last corresponding year was principally due to broadening of customer bases.

The business environment for the year under review remained challenging and market competition remained intense for the development and sale of enterprise software and provision of maintenance services. In view of this, the Company and its subsidiaries (collectively the "Group") have disposed of the business of development and sale of enterprise software and provision of maintenance services and the disposal was completed on 13 April 2011.

After completion of the disposal, the Group is mainly engaged in provision of system integration services and other value-added technical consultation services and hardware-related business. The disposal would allow the Group to streamline its business and direct its focus and resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business which we believe to have a better growth potential.

Since I was appointed as the executive director and chairman of the Company on 7 May 2011, the Board has been conducting a more detailed review on the operations of the Group with a view to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the Group may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate for the development of the Group.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board, staff and those who have supported us for their dedication and contribution to the Group. We will continue to put our best efforts to provide better return to our shareholders.

Lau Wai Shu
Chairman

Hong Kong, 27 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The challenging business environment in Hong Kong continued during the year under review. Overall economic conditions were improved and business activities started to pick up gradually. Demand for larger-scale IT projects were increased with more business opportunities in the market. To seize on these opportunities, the Group reinforced its sales efforts and deployed more resources to enhance product offerings. However, intense competition and heavy inflationary pressure constituted the difficulties and challenges for the Group to continue to grow and improve profits. In view of the challenging environment, the Group has disposed of the business of development and sale of enterprise software and provision of maintenance services and directed its resources towards the business of provision of system integration services and other value-added technical consultation services and hardware-related business. Please refer to section headed "Significant Investments and Acquisitions and Disposal" below for details.

FINANCIAL REVIEW

During the year ended 31 March 2011, revenue of approximately HK$102 million and loss attributable to owners of approximately HK$7 million were recorded. The increase in revenue of 15% as compared with the last corresponding year was principally due to broadening of customer bases.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2011, the shareholders' funds of the Group amounted to approximately HK$42 million. Current assets were approximately HK$49 million, mainly comprising bank balances and cash of approximately HK$27 million, inventories of approximately HK$0.5 million and trade and other receivables of approximately HK$21 million. Current liabilities were mainly comprising trade and other payables of approximately HK$29 million. The net asset value per share was approximately HK$0.07. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 2011, 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 1.7:1 (As at 31 March 2010: 1.9:1), reflecting the adequacy of financial resources.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

During the year ended 31 March 2011, 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

The Share Agreement

Pursuant to the sale and purchase agreement dated 5 January 2011 (the "Share Agreement") entered into among Excel Score Limited (the "Offeror"), Mr. Lok Wai Man, a former executive director of the Company and Mr. Pong Wai San, Wilson ("Mr. Pong"), the guarantor of the Offeror under the Share Agreement, Mr. Lok has conditionally agreed to sell and procure the sale of, and the Offeror has conditionally agreed to acquire, an aggregate of 479,298,000 shares of the Company (the "Sale Shares") at a total consideration of HK$126,400,000.

The Disposal Agreement

On 5 January 2011, the Company entered into the disposal agreement (the "Disposal Agreement") with SomaFlex Holdings Inc. ("SomaFlex Holdings") pursuant to which SomaFlex Holdings has conditionally agreed to purchase and the Company has conditionally agreed to sell the entire issued share capital of SomaFlex International Inc. at a consideration of HK$40 million (the "Disposal").

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to the GEM Listing Rules. SomaFlex Holdings is approximately 98.27% beneficially owned by Mr. Lok Wai Man and thus the Disposal also constitutes a connected transaction of the Company pursuant to the GEM Listing Rules and is subject to the approval of the independent shareholders.

Completion of the Share Agreement and the Disposal Agreement

Both completion of the sale and purchase of Sale Shares and of the Disposal took place on 13 April 2011. The Offeror, Mr. Pong and parties acting in concert with any of them acquired 479,298,000 shares of the Company, representing approximately 79.88% of the issued share capital of the Company as at the date of completion of the sale and purchase of Sale Shares.

Details of the transactions have been published in the Company's announcements dated 18 February, 11 March, 15 March, 13 April, 15 April and 6 May 2011 and the Company's circular dated 16 March and 15 April 2011.

Saved as disclosed in this report, during the year ended 31 March 2011, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies or material investment.

COMMITMENTS

As at 31 March 2011, the Group had operating lease commitments in respect of rented office premises of approximately HK$4,023,000 (2010: HK$1,743,000). As at 31 March 2011 and 2010, the Group had no significant capital commitment and has no future plans for material investment.

CONTINGENT LIABILITIES

As at 31 March 2011 and 2010, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2011, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group had 332 employees (2010: 336 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2011 amounted to approximately HK$72 million (2010: HK$64 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 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 People's Republic of China (the "PRC") and Singapore.

SEGMENTAL INFORMATION

Business segments

During the year under review, the revenue of maintenance services has increased by approximately 8% as the number of customers have increased as compared with that of the previous year. Moreover, the revenue of software sales has also increased by approximately 24% as the market sentiment of the enterprise software industry has recovered.

Geographical segments

The major contribution of revenue is still from Hong Kong. Revenue from the Hong Kong segment represented approximately 79% of the total revenue (2010: 80%). 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 revenue has increased by approximately 15% to approximately HK$11 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 2011. However, the Group will continue to seek new business development opportunities.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Stock Exchange issued the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code and has complied with the Code Provisions of the CG Code during the year ended 31 March 2011 except for the deviations from the Code Provision A.2.1 of the CG Code as disclosed in the following paragraphs. Throughout the year, the Company continued to strive for improvement on its corporate governance.

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 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 year ended 31 March 2011.

EFFECTIVE AND EXPERIENCED BOARD

Board Composition

The Board comprised the following members during the year:

Executive Directors:

Mr. Lok Wai Man	(resigned on 7 May 2011)
Mr. So Yiu King	(resigned on 7 May 2011)
Mr. Chow Chi Ming, Daniel	(resigned on 7 May 2011)

Independent Non-executive Directors:

Mr. Tse Lin Chung	(resigned on 7 May 2011)
Mr. Lee Kar Wai	(resigned on 7 May 2011)
Mr. Mak Wing Kwong, David	(resigned on 7 May 2011)

The Board has comprised the following members since 7 May 2011:

Executive Directors:

Mr. Lau Wai Shu	(appointed on 7 May 2011)
Mr. Sit Hon Cheong	(appointed on 7 May 2011)

Independent Non-executive Directors:

Mr. Lung Hung Cheuk	(appointed on 7 May 2011)
Ms. Yeung Wing Yan, Wendy	(appointed on 7 May 2011)
Mr. Yip Tai Him	(appointed on 7 May 2011)

Board Meeting

The Board meets at least four times a year to, among other matters, review financial and operating performance and discuss the Group's direction and strategy.

Details of the attendance of the Board are as follows:

		Attendance/ Number of Board Meetings held during the year
Mr. Lok Wai Man	(resigned on 7 May 2011)	4/4
Mr. So Yiu King	(resigned on 7 May 2011)	4/4
Mr. Chow Chi Ming, Daniel	(resigned on 7 May 2011)	4/4
Mr. Tse Lin Chung	(resigned on 7 May 2011)	4/4
Mr. Lee Kar Wai	(resigned on 7 May 2011)	4/4
Mr. Mak Wing Kwong, David	(resigned on 7 May 2011)	3/4

Functions of the Board

The Board is responsible for formulating the Group's overall strategy, considering and approving financial statements, material contracts and transactions as well as other significant policy and financial matters.

Also, the Board delegates day-to-day operation and administration functions of the Group to executive directors and management, while reserving certain key matters in making strategic decision for approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

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 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.

Appointment, Re-election and Removal of Directors

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years.

According to the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term of service. During the year under review, each of the former independent non-executive directors, namely Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David were appointed on a specific term.

Since 7 May 2011, each of the current independent non-executive directors has entered into an appointment letter with the Company for a term of one year and their appointments are subject to retirement by rotation and they shall offer themselves for re-election in accordance with the Company's articles of association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmations from each of the independent non-executive directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and considers that each of the independent non-executive directors is independent to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the year under review, Mr. Lok Wai Man has served 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; and

– 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.

Following the resignation of Mr. Lok Wai Man on 7 May 2011, Mr. Lau Wai Shu was appointed as the Chairman and Mr. Sit Hon Cheong was appointed as the Chief Executive Officer of the Company (the "CEO"). The roles of the Chairman and the CEO are segregated and performed by Mr. Lau Wai Shu and Mr. Sit Hon Cheong respectively thereon. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. Save as disclosed in the section of "Biographical Information of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

AUDIT COMMITTEE

The Company has 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 of the Company comprised three members during the year, namely Mr. Tse Lin Chung (Chairman), Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David, all of whom were independent non-executive directors.

Since 7 May 2011, the members of the audit committee have comprised Mr. Yip Tai Him, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk. Mr. Yip Tai Him is the current chairman of the audit committee of the Company.

The primary duties of the audit committee of the Company are to review the Group's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control, and cash flow forecast.

During the year, the Group's unaudited quarterly and half-yearly results and annual audited results during the year ended 31 March 2011 have been reviewed by the audit committee of the Company, which was of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Details of the members' attendance of the audit committee meetings are as follows:

		Attendance/ Number of Audit Committee Meetings held during the year
Mr. Tse Lin Chung	(resigned on 7 May 2011)	4/4
Mr. Lee Kar Wai	(resigned on 7 May 2011)	4/4
Mr. Mak Wing Kwong, David	(resigned on 7 May 2011)	3/4

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005 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.

During the year, the remuneration committee of the Company comprises one executive director, Mr. Lok Wai Man (Chairman) and two independent non-executive directors, Mr. Tse Lin Chung and Mr. Lee Kar Wai. Since 7 May 2011, the members of remuneration committee have comprised three independent non-executive directors, namely Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him. Mr. Lung Hung Cheuk is the current chairman of the remuneration committee.

The remuneration committee of the Company meets at least once annually, or on an as needed basis. The primary duties of the remuneration committee of the Company are to make recommendations to the Board on remuneration of directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for executive directors and senior management.

During the year ended 31 March 2011, the remuneration committee of the Company has performed its duties to review the remuneration of Board members.

During the year under review, a meeting of the remuneration committee of the Company was held. Details of the members' attendance of the remuneration committee meeting are as follows:

		Attendance/ Number of Remuneration Committee Meeting held during the year
Mr. Lok Wai Man	(resigned on 7 May 2011)	1/1
Mr. Tse Lin Chung	(resigned on 7 May 2011)	1/1
Mr. Lee Kar Wai	(resigned on 7 May 2011)	1/1

The policies for the remuneration of executive directors and, if appropriate, independent non-executive directors are:

– 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 taking into account individual performance; and

– the remuneration should reflect the performance, complexity of duties and responsibility of individuals.

NOMINATION COMMITTEE

The Company established a nomination committee in May 2011 with specific written terms of reference which deal clearly with its authority and duties in compliance with the Code Provision A.4.5.

The nomination committee of the Company currently comprises three independent non-executive directors, namely Ms. Yeung Wing Yan, Wendy, Mr. Lung Hung Cheuk and Mr. Yip Tai Him. Ms. Yeung Wing Yan, Wendy is the chairman of the nomination committee of the Company.

The primary duties of the nomination committee of the Company are to identify the potential candidates and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor. During the year under review, the remuneration paid or payable to the Company auditors, HLB Hodgson Impey Cheng, in respect of its audit and non-audit services were as follow:

Type of Services	HK$'000
Audit services	450
Non– audit services	450
Total	900

INTERNAL CONTROL

To safeguard shareholder's investments and the assets of the Company, the Board is responsible for maintaining an adequate internal control system to review the effectiveness of the system annually. The Board has conducted a review of the effectiveness of the system of internal control of the Group during the year.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All directors acknowledge their responsibilities for preparing the audited consolidated financial statements for the year ended 31 March 2011.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report contained in this annual report for the year ended 31 March 2011.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lau Wai Shu, aged 50, has been appointed as the executive director, the chairman and the compliance officer of the Company on 7 May 2011. He is also the authorised representative of the Company pursuant to each of the Rule 5.25(1) of the GEM Listing Rules and the Companies Ordinance of Hong Kong. Mr. Lau holds a bachelor's degree in Applied Science (civil engineering) from the University of Ottawa, Ontario, Canada and a master of business administration degree from the University of Bradford, the United Kingdom. Mr. Lau had worked for various companies with over 19 years of experience in management and marketing. He was appointed as an executive director of the Global Energy Resources International Group Limited (stock code: 8192), a company listed on GEM in September 2007 and resigned in August 2008. Mr. Lau is currently an executive director of iOne Holdings Limited (stock code: 982), a company listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Lau does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Lau is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Sit Hon Cheong, aged 32, has been appointed as the executive director, the company secretary and the chief executive officer of the Company on 7 May 2011. He is also the authorised representative of the Company pursuant to the Rule 5.25(1) of the GEM Listing Rules. Mr. Sit is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Sit graduated with a bachelor's degree in economics and finance from The University of Hong Kong and has worked for major international accounting firms and various companies with about 10 years of experience in accounting, auditing and corporate finance. Save as disclosed above, Mr. Sit does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Sit is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Independent Non-executive Directors

Mr. Lung Hung Cheuk, aged 64, has been appointed as the independent non-executive director on 7 May 2011. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Lung is a retired chief superintendent of the Hong Kong Police Force (the "Hong Kong Police"). He joined the Hong Kong Police in 1966 as a Probationary Inspector at the age of 19. He was promoted to the rank of chief inspector in 1980, superintendent in 1986, senior superintendent in 1993 and chief superintendent in 1997. He had served in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Bureau and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District. Mr. Lung was also the secretary and the chairman of the Superintendents' Association (the "SPA") of the Hong Kong Police from 1993 to 2001. The membership of the SPA comprises the top management of the Hong Kong Police from superintendents up to and including the commissioner of the Hong Kong Police. He was awarded the Police Meritorious Service Medal by the Chief Executive of Hong Kong in 2000. Mr. Lung currently acts as an independent non-executive director of Richfield Group Holdings Limited (stock code: 183) and iOne Holdings Limited (stock code: 982), the shares of each of which is listed on the main board of the Stock Exchange. He was the independent non-executive director of Global Energy Resources International Group Limited (stock code: 8192), a company listed on GEM during the period from September 2007 to January 2010. Save as disclosed above, Mr. Lung does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Lung is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Ms. Yeung Wing Yan, **Wendy**, aged 48, has been appointed as the independent non-executive director on 7 May 2011. She is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Ms. Yeung holds a bachelor's degree in Business Administration from the University of Hawaii at Manoa, Honolulu, Hawaii. She has about 20 years of experience in corporate and financial communications. Ms. Yeung was the founder and managing director of Occasions Corporate & Financial Communication Limited from 1993 to 2007 and a managing director of Financial Dynamics International Limited from 2007 to 2010. Ms. Yeung is currently a Post-graduate of Juris Doctor from the Chinese University of Hong Kong; graduating in 2011, a member of the Council of Lingnan University, a member of the Hong Kong Cancer Fund and a committee member of Special Project Committee of Community Chest. Save as disclosed above, Ms. Yeung does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Ms. Yeung is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Yip Tai Him, aged 40, has been appointed as the independent non-executive director on 7 May 2011. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Yip is a practising accountant in Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yip has about 17 years of experience in accounting, auditing and financial management. He is currently an independent non-executive director of the following listed companies in Hong Kong, namely, Wing Lee Holdings Limited (stock code: 876), China Communication Telecom Services Company Limited (stock code: 8206), Vinco Financial Group Limited (stock code: 8340), KH Investment Holdings Limited (stock code: 8172), GCL-Poly Energy Holdings Limited (stock code: 3800) and iOne Holdings Limited (stock code: 982). Mr. Yip was also the independent non-executive director of Global Energy Resources International Group Limited (stock code: 8192), a company listed on GEM during the period from March 2008 to January 2010. Mr. Yip was also the executive director of Zhi Cheng Holdings Limited (stock code: 8130), a company listed on GEM, during the period from July 2007 to August 2008 and the independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on the GEM, during the period from March 2007 to July 2008. Save as disclosed above, Mr. Yip does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Yip is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

REPORT OF THE DIRECTORS

The directors submit herewith the annual report and the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2011.

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 14 to the consolidated financial statements.

During the year ended 31 March 2011, the Group is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services in Hong Kong, the PRC and other 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 revenue and operating segments for the year under review are set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on pages 22 and 23.

No dividend was paid during the year ended 31 March 2011.

On 13 April 2011, the Board resolved that a special dividend out of the contributed surplus account of the Company of HK$0.0693 per share was distributed to the shareholders whose names appeared on the register of members of the Company on the record date, i.e. 8 April 2011. The special dividend was paid on 18 April 2011. The total amount of the distribution is HK$41.58 million.

The directors did not recommend the payment of a final dividend for the year ended 31 March 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 July 2011 to Monday, 1 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to attend the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 July 2011.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 24 and 25 to the consolidated 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 26 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2011, 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 13 to the consolidated financial statements.

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 2011.

SHARE OPTION SCHEME

As at the date of this report, the Company does not have any share option scheme currently in force. The directors proposed to adopt a new share option scheme so as to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Accordingly, an ordinary resolution will be proposed at the AGM to approve the adoption of the new share option scheme.

No share options were granted by the Company or outstanding, lapsed, cancelled or exercised at any time during the year ended 31 March 2011.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Mr. Lok Wai Man	(resigned on 7 May 2011)
Mr. So Yiu King	(resigned on 7 May 2011)
Mr. Chow Chi Ming, Daniel	(resigned on 7 May 2011)

Independent Non-executive Directors

Mr. Tse Lin Chung	(resigned on 7 May 2011)
Mr. Lee Kar Wai	(resigned on 7 May 2011)
Mr. Mak Wing Kwong, David	(resigned on 7 May 2011)

The directors of the Company since 7 May 2011 are:

Executive Directors

Mr. Lau Wai Shu	(appointed on 7 May 2011)
Mr. Sit Hon Cheong	(appointed on 7 May 2011)

Independent Non-executive Directors

Mr. Lung Hung Cheuk	(appointed on 7 May 2011)
Ms. Yeung Wing Yan, Wendy	(appointed on 7 May 2011)
Mr. Yip Tai Him	(appointed on 7 May 2011)

In accordance with Article 86(3) of the Company's articles of association, Mr. Lau Wai Shu, Mr. Sit Hon Cheong, Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him will hold office until the forthcoming annual general meeting, and shall then be eligible for re-election at the forthcoming annual general meeting and thereafter subject to the retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

DIRECTORS' SERVICE CONTRACTS

There is no service contract entered into between the current executive directors, (i.e. Mr. Lau Wai Shu and Mr. Sit Hon Cheong) and the Company and all the independent non-executive directors (i.e. Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him) were appointed for a term of one year commencing from their appointment date.

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 12 and 13.

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

Save as those disclosed under the section headed under "Significant Investments and Acquisitions and Disposal" in the Management Discussion and Analysis section and note 32 in the consolidated financial statements, there were no connected transactions which need to be disclosed in accordance with the requirements of the GEM Listing Rules during the year under review and up to date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 31 March 2011, the directors and chief executive of the Company (Note) who have any interests or short positions in the shares or 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, are as follow:

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital as at 31 March 2011
Mr. So Yiu King	Personal Interest	2,000	0.00%
Mr. Chow Chi Ming, Daniel	Personal Interest	2,000	0.00%

Note: Pursuant to the Share Agreement entered into on 5 January 2011, Excel Score Limited, a company beneficially and wholly-owned by Mr. Pong, has conditionally agreed to purchase and Mr. Lok Wai Man, a former executive director of the Company, has conditionally agreed to sell 479,298,000 shares of the Company. The transaction was completed on 13 April 2011.

Save as disclosed above, as at 31 March 2011, 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' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 31 March 2011, so far as the directors of the Company are aware of and having made due enquires, the following persons had an interest or short position in the shares or 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	Capacity	Number of issued ordinary shares held	Percentage of issued share capital as at 31 March 2011
Excel Score Limited (Note 1)	Beneficial Interest	479,298,000	79.88%
Mr. Pong Wai San, Wilson (Notes 1 and 2)	Corporate Interest	479,298,000	79.88%
Ms. Tung Ching Yee, Helena (Note 2)	Spousal Interest	479,298,000	79.88%

Notes:

1. Pursuant to the Share Agreement entered into on 5 January 2011, Excel Score Limited, a company beneficially and wholly-owned by Mr. Pong, has conditionally agreed to purchase and Mr. Lok Wai Man has conditionally agreed to sell 479,298,000 shares of the Company. The transaction was completed on 13 April 2011. As Mr. Pong is the ultimate beneficial owner and the sole director of Excel Score Limited, by virtue of the SFO, Mr. Pong is deemed to be interested in the 479,298,000 shares held by Excel Score Limited.

2. Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong and accordingly deemed to be interested in the shares beneficially owned by Mr. Pong in his capacity and through his controlled corporation, Excel Score Limited, under the SFO.

Save as disclosed above, as at 31 March 2011, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed "Director's and chief executives' interests and short positions in the shares or underlying shares" above, there was no person who had an interest or short position in the shares or 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 2011, the largest and the five largest suppliers of the Group accounted for approximately 60% and 87% 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2011, 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.

SUFFICIENCY OF PUBLIC FLOAT

The mandatory unconditional cash offer by Optima Capital Limited on behalf of Excel Score Limited for all the shares in the Company was closed on 6 May 2011. Upon the close of the offer, there are approximately 20.12% of the entire issued share capital of the Company remained in public hands. As the public float fell below the minimum percentage of 25% to comply with the requirement under rule 11.23 of GEM Listing Rules, Mr. Pong placed down approximately 7.45% of the issued share capital of the Company to independent placees through a placing agent on 11 May 2011.

After completion of the placing on 13 May 2011, 27.57% of the issued share capital of the Company has been held by public hands. Accordingly, the minimum public float of 25% as prescribed under the GEM Listing Rules was restored.

EVENTS AFTER REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

AUDITORS

The accompanying consolidated 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

Lau Wai Shu
Chairman

Hong Kong, 27 June 2011

SUMMARY FINANCIAL INFORMATION

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

FINANCIAL SUMMARY

For the year ended 31 March 2011

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
RESULTS					
Revenue	79,982	100,702	97,149	89,106	**102,033**
(Loss)/profit before income tax	3,835	19,026	3,177	(12,867)	**(6,762)**
Income tax	1,679	1,225	202	35	**(1)**
(Loss)/profit for the year	5,514	20,251	3,379	(12,832)	**(6,763)**
Attributable to:					
Owners of the Company	5,722	20,038	3,360	(12,810)	**(6,814)**
Non-controlling interests	(208)	213	19	(22)	**51**
	5,514	20,251	3,379	(12,832)	**(6,763)**
ASSETS AND LIABILITIES					
Total assets	66,041	82,659	80,300	73,587	**70,623**
Total liabilities	(23,839)	(23,224)	(20,804)	(25,930)	**(28,552)**
	42,202	59,435	59,496	47,657	**42,071**
Attributable to:					
Owners of the Company	41,568	58,588	58,630	46,813	**41,176**
Non-controlling interests	634	847	866	844	**895**
	42,202	59,435	59,496	47,657	**42,071**

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

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 22 to 76, which comprise the consolidated and Company's statements of financial position as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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, 27 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**102,033**	89,106
Cost of sales		**(34,755)**	(35,276)
Gross profit		**67,278**	53,830
Other income	6	**2,031**	242
Share of profit of an associate		**35**	105
Distribution costs		**(29,761)**	(25,450)
Administrative expenses		**(45,614)**	(40,804)
Other operating expenses		**(731)**	(790)
Loss before income tax		**(6,762)**	(12,867)
Income tax	8	**(1)**	35
Loss for the year		**(6,763)**	(12,832)
Other comprehensive income			
Available-for-sale financial assets:			
Change in fair value		**342**	168
Reclassification adjustments for losses included in the consolidated statement of comprehensive income			
– Loss on disposal		**119**	–
Currency translation differences		**716**	825
Other comprehensive income for the year, net of tax		**1,177**	993
Total comprehensive expense for the year		**(5,586)**	(11,839)
Loss for the year attributable to:			
– Owners of the Company		**(6,814)**	(12,810)
– Non-controlling interests		**51**	(22)
		(6,763)	(12,832)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(5,637)**	(11,817)
– Non-controlling interests		**51**	(22)
		(5,586)	(11,839)
Loss per share attributable to owners of the Company (express in HK cents)			
– Basic and diluted	10	**(1.14)**	(2.14)

The notes on pages 29 to 76 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000 (restated)	At 1 April 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	13	**20,181**	21,745	23,710
Investments in associates	15	**989**	1,191	1,119
Interest in a jointly-controlled entity	16	**–**	–	–
Available-for-sale financial assets	18	**15**	526	358
Amounts due from investee companies	19	**–**	–	–
		21,185	23,462	25,187
Current assets				
Inventories	20	**525**	665	834
Trade and other receivables	21	**21,440**	17,804	17,552
Current income tax assets		**899**	899	663
Cash and cash equivalents	22	**26,574**	30,757	36,064
		49,438	50,125	55,113
Total assets		**70,623**	73,587	80,300
Current liabilities				
Trade and other payables	23	**28,552**	25,870	20,606
Current income tax liabilities		**–**	60	74
		28,552	25,930	20,680
Net current assets		**20,886**	24,195	34,433
Total assets less current liabilities		**42,071**	47,657	59,620
Non-current liabilities				
Deferred income tax liabilities	27	**–**	–	124
Net assets		**42,071**	47,657	59,496

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000 (restated)	At 1 April 2009 HK$'000 (restated)
Equity				
Capital and reserves attributable to the owners of the Company				
Share capital	24	**60,000**	60,000	60,000
Reserves		**(18,824)**	(13,187)	(1,370)
		41,176	46,813	58,630
Non-controlling interests		**895**	844	866
Total equity		**42,071**	47,657	59,496

Lau Wai Shu
Director

Sit Hon Cheong
Director

The notes on pages 29 to 76 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Non-current assets				
Investments in subsidiaries	14	**2**	21,906	14,187
Available-for-sale financial assets	18	**–**	511	343
		2	22,417	14,530
Current assets				
Prepayments and deposits	21	**338**	145	112
Cash and cash equivalents	22	**13,621**	16,820	24,409
		13,959	16,965	24,521
Total assets		**13,961**	39,382	39,051
Current liabilities				
Accruals	23	**296**	268	240
Net current assets		**13,663**	16,697	24,281
Total assets less current liabilities		**13,665**	39,114	38,811
Net assets		**13,665**	39,114	38,811
Equity				
Capital and reserves attributable to the owners of the Company				
Share capital	24	**60,000**	60,000	60,000
Reserves	26	**(46,335)**	(20,886)	(21,189)
Total equity		**13,665**	39,114	38,811

Lau Wai Shu
Director

Sit Hon Cheong
Director

The notes on pages 29 to 76 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Attributable to the owners of the Company								
	Share capital HK$'000 (Note 24)	Share premium HK$'000	Merger reserve HK$'000 (Note)	Translation reserve HK$'000	Available-for-sale investments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	58,630	866	59,496
Comprehensive expense									
Loss for the year	–	–	–	–	–	(12,810)	(12,810)	(22)	(12,832)
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	–	–	–	–	168	–	168	–	168
Currency translation differences	–	–	–	825	–	–	825	–	825
Total comprehensive expense	–	–	–	825	168	(12,810)	(11,817)	(22)	(11,839)
As at 31 March 2010 and 1 April 2010	**60,000**	**77,955**	**(47,430)**	**779**	**(461)**	**(44,030)**	**46,813**	**844**	**47,657**
Comprehensive expense									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(6,814)**	**(6,814)**	**51**	**(6,763)**
Other comprehensive income									
Available-for-sale financial assets									
Changes in fair value	**–**	**–**	**–**	**–**	**342**	**–**	**342**	**–**	**342**
Reclassification adjustments for losses included in the consolidated statement of comprehensive income – loss on disposal	**–**	**–**	**–**	**–**	**119**	**–**	**119**	**–**	**119**
Currency translation differences	**–**	**–**	**–**	**716**	**–**	**–**	**716**	**–**	**716**
Total comprehensive expense	**–**	**–**	**–**	**716**	**461**	**(6,814)**	**(5,637)**	**51**	**(5,586)**
As at 31 March 2011	**60,000**	**77,955**	**(47,430)**	**1,495**	**–**	**(50,844)**	**41,176**	**895**	**42,071**

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.

The notes on pages 29 to 76 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash used in operating activities	28	**(7,064)**	(6,012)
Cash flows from investing activities			
Interest received		**4**	95
Dividend received		**16**	16
Purchase of property, plant and equipment		**(538)**	(162)
Repayment from /(advances to) associates		**1,871**	(59)
Proceed from disposal of available-for-sale financial assets		**853**	–
Net cash generated from/(used in) investing activities		**2,206**	(110)
Net decrease in cash and cash equivalents		**(4,858)**	(6,122)
Cash and cash equivalents at beginning of year		**30,757**	36,064
Exchange gains on cash and cash equivalents		**675**	815
Cash and cash equivalents at end of year		**26,574**	30,757
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	22	**24,717**	29,041
Short-term bank deposits	22	**1,857**	1,716
		26,574	30,757

The notes on pages 29 to 76 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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 Unit A, 6/F., Nine Queen's Road Central, 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 Excel Score Limited, 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 have been approved for issue by the board of directors on 27 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and 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 of the Group 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 (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets.

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.

(i) Revised standards, and interpretation and amendments to existing standards effective for the annual period beginning on 1 April 2010

The Group has adopted the following revised standards, and interpretation and amendments to existing standards which are mandatory for the first time for the Group's financial year beginning on 1 April 2010 and are relevant to the Group's operations. The impact on the Group's consolidated financial statements upon adoption is set out below:

HKFRS 2 (Amendment), 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating HK(IFRIC) – Interpretation 8, 'Scope of HKFRS 2', and HK(IFRIC) – Interpretation 11, 'HKFRS 2 – Group and Treasury Share Transactions', the amendment expands on the guidance in HK(IFRIC) – Interpretation 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance has no impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(i) Revised standards, and interpretation and amendments to existing standards effective for the annual period beginning on 1 April 2010 (continued)

HKFRS 3 (Revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements' and HKAS 28, 'Investments in Associates'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes in relation to contingent payments, measurement of non-controlling interests in the acquiree and acquisition-related costs. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in consolidated statement of comprehensive income. The Group has applied these standards in the consolidated financial statements.

HKFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The amendment has no impact on the consolidated financial statements.

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating leases using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, any land interest where title was not expected to pass to the Group by the end of the lease term was classified as an operating lease accounted for within "Prepaid lease payments", and amortised over the lease term. The Group has reassessed the classification of unexpired leasehold land interests as at 1 April 2010 on the basis of information existing at the inception of those leases, and has recognised its leasehold land interests in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified those leasehold land interests from operating leases to finance leases. These property interests are held for own use and are accounted for as property, plant and equipment and depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(i) Revised standards, and interpretation and amendments to existing standards effective for the annual period beginning on 1 April 2010 (continued)

The effect of changes in accounting polices following the adoption of HKAS 17 (Amendment) on the consolidated statement of financial position is as follows:

	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Decrease in leasehold land and land use rights	**(11,474)**	(11,791)	(12,108)
Increase in property, plant and equipment	**11,474**	11,791	12,108

There is no impact on the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

HKAS 36 (Amendment), 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating Segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment has no impact on the consolidated financial statements.

HK Interpretation 5, 'Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause', specifies that amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current liabilities in its statement of financial position. The interpretation has no impact on the consolidated financial statements.

(ii) New and revised standards that are not effective and have not been early adopted by the Group

The following new and revised standards relevant to the Group have been issued, but are not effective for the financial year beginning on 1 April 2010 and the Group has not early adopted them:

HKFRS 9, 'Financial Instruments' (effective for annual period starting from 1 April 2013). HKFRS 9 improves the classification and measurement of financial assets and financial liabilities compared with the requirements of HKAS 39. Under HKFRS 9, all financial assets are to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Most of the requirements in HKAS 39 for classification and measurement of financial liabilities were carried forward unchanged to HKFRS 9. The Group will apply HKFRS 9 from 1 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) New and revised standards that are not effective and have not been early adopted by the Group (continued)

HKAS 24 (Revised), 'Related Party Disclosures' (effective for annual period starting from 1 April 2011). HKAS 24 (Revised) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply HKAS 24 (Revised) from 1 April 2011.

In addition, HKICPA has published a number of amendments for the existing standards under its annual improvements project.

These amendments are expected to have no material impact to the consolidated financial statements of the Group.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March.

(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.

For acquisitions prior to 1 July 2009, 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 non-controlling interest. Non-controlling interest is initially measured at its share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation (continued)

(a) Subsidiaries (continued)

For acquisition on or after 1 July 2009, as a result of the adoption of HKFRS 3 (Revised) "Business Combinations", accounting for acquisition of subsidiaries is as follows:

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchases, the difference is recognised directly in the statement of comprehensive income.

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

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation (continued)

(b) Associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associates, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of comprehensive income.

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(c) Jointly-controlled entities

Jointly-controlled entities are all entities where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly-controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

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 investments. When the Group's share of loss in a jointly-controlled entity equals or exceeds its interest in the jointly-controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly-controlled entity.

Unrealised gains on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests 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 in the consolidated statement of comprehensive income to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in jointly-controlled entities are recognised in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has been identified as the executive directors collectively. The executive directors are responsible for allocating resources and assessing performance of operating segments.

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 ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Land held under finance leases and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 to the statement of comprehensive income during the financial period in which they are incurred.

Land held under a finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Over the lease term
Building	10-50 years or remaining terms of the respective leases, whichever is the shorter after considering the residual value
Leasehold improvements	Over the lease term
Plant and machinery	20%
Furniture and fixtures	20%-25%
Motor vehicles	20%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets

Assets that have indefinite useful lives or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 "CGU"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Impairment of investments in subsidiaries, associates and jointly-controlled entities

Impairment testing of the investments in subsidiaries, associates or jointly-controlled entity 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.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. 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 those financial assets designated at fair value through profit or loss on initial recognition. At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are re-measured at fair value, with changes in fair value recognised directly in the statement of comprehensive income in the period in which they arise.

(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 "cash and cash equivalents" in the statement of financial position.

(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 the investment within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.2 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 (losses)/ gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are impaired or sold, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "gain or loss on disposal of available-for-sale financial assets".

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.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 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 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. For 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 consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

Impairment testing of trade and other receivables is described in Note 2.12.

2.11 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Trade and other receivables

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. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 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 from the proceeds.

2.15 Trade payables

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

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

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred income 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 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 end of each reporting period 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax (continued)

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 reporting 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully within the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. 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 end of each reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.19 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 statement of financial position.

(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.

2.20 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rental payables under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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 statement of financial position 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.

(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 the end of each reporting period 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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 2011, the Group did not have any borrowings or derivative financial liabilities (2010: 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 statement of financial position.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio of zero. The gearing ratios at 31 March 2011 and 2010 were zero as the Group has no borrowing or debt.

3.3 Fair value estimation

The Group uses the following hierarchies for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market date (unobservable inputs)

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 as at 31 March 2011.

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

The Group is subject to income tax in a number of jurisdictions. Significant judgement is 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.

(b) 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 end of each reporting period and the historical experience of selling products of similar nature.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) 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.

(d) Impairment of property, plant and equipment

The Group's management assesses at the end of each reporting period 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 the end of each reporting period, 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.

(e) 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 receivables and impairment charge in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

	2011 HK$'000	2010 HK$'000
Revenue		
Software	51,846	41,864
Services	37,380	34,709
Other operations	12,807	12,533
	102,033	89,106

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

The Executive Directors review the Group's financial information mainly from software, services and other operations 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.

5. REVENUE AND SEGMENT INFORMATION (continued)

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, interest 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 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 for the year ended 31 March 2011 is as follows:

	Software HK$'000	Services HK$'000	Other operations HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	51,846	37,380	12,807	–	102,033
Reportable segment (loss)/profit	(13,968)	12,020	(3,322)	(3,558)	(8,828)
Other income					2,031
Share of profit of an associate					35
Loss before income tax					(6,762)
Income tax (Note 8)					(1)
Loss for the year					(6,763)
Depreciation of property, plant and equipment	–	–	–	2,117	2,117
Addition to non-current assets	–	–	–	538	538

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment information for the year ended 31 March 2010 is as follows:

	Software HK$'000	Services HK$'000	Other operations HK$'000	Unallocated HK$'000	Group 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	–	–	–	2,135	2,135
Addition to non-current assets	–	–	–	162	162

An analysis of the Group's assets as at 31 March 2011 by reportable segment is set out below:

	Software HK$'000	**Services HK$'000**	**Other operations HK$'000**	**Total HK$'000**
Segment assets	**–**	**–**	**525**	**525**
Investments in associates				**989**
Available-for-sale financial assets				**15**
Current income tax assets				**899**
Unallocated assets				**68,195**
Total assets per consolidated statement of financial position				**70,623**

5. REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's liabilities as at 31 March 2011 by reportable segment is set out below:

	Software HK$'000	Services HK$'000	Other operations HK$'000	Total HK$'000
Segment liabilities	**9,965**	**9,112**	**–**	**19,077**
Current income tax liabilities				**–**
Unallocated liabilities				**9,475**
Total liabilities per consolidated statement of financial position				**28,552**

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 statement of financial position				73,587

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 statement of financial position				25,930

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

	2011 HK$'000	2010 HK$'000
Revenue		
Hong Kong	80,586	71,394
PRC	11,227	9,801
Other countries	10,220	7,911
	102,033	89,106

For the year ended 31 March 2011, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue (2010: Nil).

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

	2011 HK$'000	2010 HK$'000
Non-current assets		
Hong Kong	20,212	22,144
PRC	718	638
Other countries	240	154
	21,170	22,936

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Dividend income on available-for-sale financial assets	16	16
Interest income on short-term bank deposits	4	95
Reversal of provision for impairment of amount due from an associate	1,953	–
Others	58	131
	2,031	242

7. EXPENSES BY NATURE

	2011 HK$'000	2010 HK$'000
Depreciation of property, plant and equipment	2,117	2,135
Loss on disposal of property, plant and equipment	26	2
Fair value loss on available-for-sale financial assets (transfer from equity on disposal)	119	–
Cost of inventories expensed	10,594	10,493
Inventories written off	190	195
Operating lease rentals in respect of rented premises	1,691	1,713
Auditors' remuneration	450	350
Bad debts written off	105	357
Provision for impairment of trade receivables (Note 21)	96	117
Provision for impairment of amounts due from associates	319	92

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made for the year ended 31 March 2011 as the Group had no assessable profit arising in or derived from Hong Kong (2010: Nil). 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.

	2011 **HK$'000**	2010 HK$'000
Current income tax		
– Overseas taxation	**1**	89
Deferred income tax (Note 27)	**–**	(124)
Income tax expense/(credit)	**1**	(35)

The tax on the Group's loss 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:

	2011 **HK$'000**	2010 HK$'000
Loss before income tax	**(6,762)**	(12,867)
Tax calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**(1,115)**	(2,123)
Income not subject to tax	**(1,208)**	(56)
Expenses not deductible for tax purpose	**478**	333
Tax losses for which no deferred income tax asset was recognised	**1,850**	2,598
Utilisation of previously unrecognised tax losses	**(5)**	(741)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1**	95
Others	**–**	(141)
Income tax expense/(credit)	**1**	(35)

9. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$25,910,000 (2010: profit of approximately HK$135,000).

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year of approximately HK$6,814,000 (2010: HK$12,810,000) by the weighted average number of 600,000,000 (2010: 600,000,000) ordinary shares in issue during the year.

There is no diluted loss per share since the Company has no dilutive potential ordinary shares in existence for the years ended 31 March 2011 and 2010.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2011 (2010: Nil). The special distribution of HK$0.0693 per share, totally HK$41.58 million, was approved at the Board Meeting held on 13 April 2011 and paid on 18 April 2011.

12. EMPLOYEE BENEFIT EXPENSE

	2011	2010
	HK$'000	HK$'000
Salaries, wages and other benefits	**68,652**	60,893
Pension costs – defined contribution schemes	**2,924**	2,666
Total employee benefit expense (including directors' remuneration)	**71,576**	63,559

(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 2011, there were no material contributions forfeited.

The PRC subsidiary of the Group has participated in an employees' retirement scheme implemented by the Chinese local government. Contributions are made to the scheme at rate of 13% to 30% (2010: 18% to 30%) of the applicable basic payroll costs.

The Singapore subsidiary of the Group has participated in the Central Provident Fund. Contributions are made at 35% to 35.5% (2010: 34.5%) of an employee's ordinary wages.

12. EMPLOYEE BENEFIT EXPENSE (continued)

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 March 2011 is set out below:

Name of director	**Fees**	**Salaries, allowances and benefits in kind**	**Employer's contributions to defined contribution schemes**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors				
Mr. Lok Wai Man	**–**	**932**	**24**	**956**
Mr. So Yiu King	**–**	**898**	**12**	**910**
Mr. Chow Chi Ming, Daniel	**–**	**498**	**23**	**521**
Independent non-executive directors				
Mr. Tse Lin Chung	**30**	**–**	**–**	**30**
Mr. Lee Kar Wai	**30**	**–**	**–**	**30**
Mr. Mak Wing Kwong, David	**30**	**–**	**–**	**30**
	90	**2,328**	**59**	**2,477**

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

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

12. EMPLOYEE BENEFIT EXPENSE (continued)

(b) Directors' and senior management's emoluments (continued)

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 (2010: Nil). None of the directors waived or agreed to waive any remuneration during the year (2010: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, allowances and benefits in kind	**2,228**	2,096
Employer's contributions to defined contribution schemes	**81**	78
	2,309	2,174

	2011 Number of Individuals	2010 Number of Individuals
The emoluments fell within the following band:		
Nil – HK$1,000,000	**3**	3

13. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold land HK$'000	Building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2009							
Cost, as previously reported	–	7,804	6,323	4,806	5,117	188	24,238
Adoption of amendment to HKAS 17	12,900	–	–	–	–	–	12,900
Cost, as restated	12,900	7,804	6,323	4,806	5,117	188	37,138
Accumulated depreciation, as previously reported	–	(478)	(4,175)	(3,992)	(3,892)	(99)	(12,636)
Adoption of amendment to HKAS 17	(792)	–	–	–	–	–	(792)
Accumulated depreciation, as restated	(792)	(478)	(4,175)	(3,992)	(3,892)	(99)	(13,428)
Net book amount, as restated	12,108	7,326	2,148	814	1,225	89	23,710
Year ended 31 March 2010							
Opening net book amount, as restated	12,108	7,326	2,148	814	1,225	89	23,710
Additions	–	–	42	32	88	–	162
Disposals	–	–	–	–	(2)	–	(2)
Depreciation for the year	(317)	(191)	(1,097)	(196)	(295)	(39)	(2,135)
Exchange differences	–	–	–	(1)	13	(2)	10
Closing net book amount, as restated	11,791	7,135	1,093	649	1,029	48	21,745

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group						
	Leasehold land HK$'000	Building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2010							
Cost, as previously reported	–	7,804	6,424	4,787	5,255	184	24,454
Adoption of amendment to HKAS 17	12,900	–	–	–	–	–	12,900
Cost, as restated	12,900	7,804	6,424	4,787	5,255	184	37,354
Accumulated depreciation, as previously reported	–	(669)	(5,331)	(4,138)	(4,226)	(136)	(14,500)
Adoption of amendment to HKAS 17	(1,109)	–	–	–	–	–	(1,109)
Accumulated depreciation, as restated	(1,109)	(669)	(5,331)	(4,138)	(4,226)	(136)	(15,609)
Net book amount, as restated	11,791	7,135	1,093	649	1,029	48	21,745
Year ended 31 March 2011							
Opening net book amount, as restated	11,791	7,135	1,093	649	1,029	48	21,745
Additions	–	–	239	150	149	–	538
Disposals	–	–	–	(7)	(19)	–	(26)
Depreciation for the year	(317)	(192)	(1,106)	(181)	(288)	(33)	(2,117)
Exchange differences	–	–	–	(2)	30	13	41
Closing net book amount	11,474	6,943	226	609	901	28	20,181
At 31 March 2011							
Cost	12,900	7,804	6,663	4,961	5,337	199	37,864
Accumulated depreciation	(1,426)	(861)	(6,437)	(4,352)	(4,436)	(171)	(17,683)
Net book amount	11,474	6,943	226	609	901	28	20,181

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's interests in leasehold land held for own use under finance lease are analysed as follows:

	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000 (restated)	At 1 April 2009 HK$'000 (restated)
In Hong Kong:			
On lease between 10 to 50 years	**11,474**	11,791	12,108

14. INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Unlisted shares, at cost	**47,550**	47,550	47,550
Less: Provision for impairment	**(47,550)**	(47,550)	(47,550)
	–	–	–
Amounts due from subsidiaries (Note (b))	**79,556**	77,356	69,637
Less: Provision for impairment (Note (b))	**(79,554)**	(55,450)	(55,450)
	2	21,906	14,187
	2	21,906	14,187

14. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

The following is a list of the principal subsidiaries of the Company as at 31 March 2011:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Subsidiary held directly:				
SomaFlex International Inc.	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Subsidiaries held indirectly:				
FlexSystem Limited	Hong Kong	Development and distribution of FlexAccount products in Hong Kong	120,000 ordinary shares of HK$1 each	100%
FlexSystem (Shanghai) Co., Ltd. (Note (i))	PRC	Development and distribution of FlexAccount products in the PRC	Registered capital of US$620,000	100%
FlexSystem Software Limited	Macau	Research and development in Macau	Registered capital of MOP30,000	100%
Norray Professional Computer Limited ("Norray")	Hong Kong	Provision of system integration services and other value-added technical consultation services and hardware-related business in Hong Kong	200,000 ordinary shares of HK$1 each	70%
Starwise International Computers Limited	Hong Kong	Investment holding in Hong Kong	1,050,000 ordinary shares of HK$1 each	100%

14. 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
Subsidiaries held indirectly: (continued)				
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%
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%
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.

14. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Amounts due from subsidiaries

The impairment as at 31 March 2011 includes impairment provision of approximately HK$79,554,000 (2010: HK$55,450,000) for amounts due from subsidiaries. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
At 1 April	**55,450**	55,450	55,450
Provision for impairment	**24,104**	–	–
At 31 March	**79,554**	55,450	55,450

The carrying amounts of the amounts due from subsidiaries approximate their fair values.

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

15. INVESTMENTS IN ASSOCIATES

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Cost of investment in associates, unlisted	**610**	610	610
Share of post-acquisition results and reserves	**(1,984)**	(2,019)	(2,124)
Loss in excess of cost of investment	**(1,374)**	(1,409)	(1,514)
Amounts due from associates	**6,253**	8,124	8,065
Less: Provision for impairment	**(3,890)**	(5,524)	(5,432)
	2,363	2,600	2,633
	989	1,191	1,119

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

Details of the associates of the Group as at 31 March 2011 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%

15. INVESTMENTS IN ASSOCIATES (continued)

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

	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Total assets	**11,665**	3,346	2,083
Total liabilities	**15,390**	9,092	8,675
Revenues	**8,153**	7,473	7,147
Profit	**1,993**	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 follows:

	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Unrecognised share of profits/(losses) of associates for the year	**953**	220	(137)
Accumulated unrecognised share of losses of associates	**(323)**	(1,276)	(1,496)

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Cost of investment in a jointly-controlled entity	**1,950**	1,950	1,950
Amount due to a jointly-controlled entity	**(1,950)**	(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 2011 and had no significant assets or liabilities at 31 March 2011 and 2010.

As at 31 March 2011 and 2010, 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.

17. FINANCIAL INSTRUMENTS BY CATEGORY

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

Assets per consolidated statement of financial position

31 March 2011	Note	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
Amounts due from associates	15	**2,363**	**–**	**2,363**
Available-for-sale financial assets	18	**–**	**15**	**15**
Trade and other receivables	21	**20,913**	**–**	**20,913**
Cash and cash equivalents	22	**26,574**	**–**	**26,574**
Total		**49,850**	**15**	**49,865**

Liabilities per consolidated statement of financial position

31 March 2011	Note	Amortised cost HK$'000
Trade and other payables	23	**9,475**
Total		**9,475**

Assets per consolidated statement of financial position

31 March 2010	Note	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
Amounts due from associates	15	2,600	–	2,600
Available-for-sale financial assets	18	–	526	526
Trade and other receivables	21	17,603	–	17,603
Cash and cash equivalents	22	30,757	–	30,757
Total		50,960	526	51,486

Liabilities per consolidated statement of financial position

31 March 2010	Note	Amortised cost HK$'000
Trade and other payables	23	9,731
Total		9,731

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Beginning of the year	**526**	358	676	**511**	343	661
Fair value gain/(loss) recognised in equity	**342**	168	(318)	**342**	168	(318)
Disposal	**(853)**	–	–	**(853)**	–	–
End of the year	**15**	526	358	**–**	511	343

There was no impairment of provision on available-for-sale financial assets in 2011 (2010: Nil).

Available-for-sale financial assets include the following:

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Equity securities listed in Hong Kong, at fair value	**–**	511	343	**–**	511	343
Unlisted equity securities, at cost less impairment (Note)	**15**	15	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 the end of each reporting period 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.

19. AMOUNTS DUE FROM INVESTEE COMPANIES

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Amounts due from investee companies	**3,065**	3,065	3,065
Less: Provision for impairment	**(3,065)**	(3,065)	(3,065)
	–	–	–

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

20. INVENTORIES

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Merchandise	**525**	665	834

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$10,594,000 (2010: HK$10,493,000).

21. TRADE AND OTHER RECEIVABLES

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Trade receivables (Note (a))	**17,453**	14,804	14,157	**–**	–	–
Prepayments, deposits and other receivables	**3,125**	2,148	2,320	**338**	145	112
Advances to staff (Note (e))	**862**	852	1,075	**–**	–	–
	21,440	17,804	17,552	**338**	145	112

21. 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 2011, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
0 – 30 days	**6,837**	5,007	4,635
31 – 60 days	**2,332**	1,606	1,309
61 – 90 days	**788**	1,091	1,151
91 – 180 days	**2,755**	1,832	2,766
181 – 365 days	**1,627**	2,977	2,267
Over 365 days	**3,114**	2,291	2,029
	17,453	14,804	14,157

(b) As of 31 March 2011, trade receivables of approximately HK$7,496,000 (2010: HK$7,100,000) 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		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
91 – 180 days	**2,755**	1,832	2,766
181 – 365 days	**1,627**	2,977	2,267
Over 365 days	**3,114**	2,291	2,029
	7,496	7,100	7,062

(c) As at 31 March 2011, trade receivables of approximately HK$5,301,000 (2010: HK$5,205,000) were impaired. Provision for impairment of approximately HK$96,000 (2010: HK$117,000) was recognised for the year ended 31 March 2011. 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		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Over 365 days	**5,301**	5,205	5,402

21. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
At beginning of the year	**5,205**	5,402	4,212
Receivables written off as uncollectible	**–**	(314)	(795)
Provision for impairment of trade receivables (Note 7)	**96**	117	1,985
At end of the year	**5,301**	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 end of each reporting period is the fair value of trade and other receivables as mentioned above. The Group does not hold any collateral as security.

22. CASH AND CASH EQUIVALENTS

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Cash at bank and in hand	**24,717**	29,041	8,908	**13,621**	16,820	297
Short-term bank deposits	**1,857**	1,716	27,156	**–**	–	24,112
Maximum exposure to credit risk	**26,574**	30,757	36,064	**13,621**	16,820	24,409

The effective interest rate on short-term bank deposits is 0.06% (2010: 0.05% to 0.65%). These deposits have a maturity of 30 days (2010: 59 days).

As at 31 March 2011, the Group had bank balances and cash of approximately HK$1,630,000 (2010: HK$1,811,000) 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.

23. TRADE AND OTHER PAYABLES

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Trade payables (Note (a))	**2,157**	3,294	1,457	**–**	–	–
Other payables and accruals	**7,317**	6,429	6,531	**296**	268	240
Amounts due to investee companies (Note (b))	**1**	8	53	**–**	–	–
Deferred income	**9,112**	8,867	8,220	**–**	–	–
Sales deposits received	**9,965**	7,272	4,345	**–**	–	–
	28,552	25,870	20,606	**296**	268	240

Notes:

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

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
0 – 30 days	**784**	2,477	1,246
31 – 60 days	**509**	665	172
61 – 90 days	**193**	30	–
91 – 180 days	**151**	4	–
181 – 365 days	**45**	90	29
Over 365 days	**475**	28	10
	2,157	3,294	1,457

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

24. SHARE CAPITAL

	Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Authorised:			
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000	200,000
Issued and fully paid:			
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000	60,000

25. 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.

No share options were granted by the Company or outstanding at any time during the years ended 31 March 2010 and 2011. The share option scheme was expired on 14 July 2010. At the date of this report, the Company does not have any share option scheme currently in force.

26. RESERVES

	Company			
	Share premium HK$'000	Available-for-sale investments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
As at 1 April 2009	79,872	(629)	(100,432)	(21,189)
Comprehensive income				
Profit for the year	–	–	135	135
Other comprehensive income				
Changes in fair value of available-for-sale financial assets	–	168	–	168
Total comprehensive income	–	168	135	303
As at 31 March 2010 and 1 April 2010	**79,872**	**(461)**	**(100,297)**	**(20,886)**
Comprehensive expense				
Loss for the year	**–**	**–**	**(25,910)**	**(25,910)**
Other comprehensive income				
Available-for-sale financial assets				
Change in fair value	**–**	**342**	**–**	**342**
Reclassification adjustments for losses included in the consolidated statement of comprehensive income – loss on disposal	**–**	**119**	**–**	**119**
Total comprehensive expense	**–**	**461**	**(25,910)**	**(25,449)**
As at 31 March 2011	**79,872**	**–**	**(126,207)**	**(46,335)**

27. DEFERRED INCOME TAX

Deferred income tax liabilities:

	Group		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 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 Group and 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 2011 and 2010.

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 2011, the unrecognised deferred income tax assets of the Group and of the Company are as follows:

	Group			Company		
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000	**At 31 March 2011 HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Tax effect of temporary difference attributable to estimated tax losses	**5,300**	3,455	1,529	**1,650**	1,350	1,197

28. NET CASH USED IN OPERATING ACTIVITIES

	2011 HK$'000	2010 HK$'000
Loss before income tax	(6,762)	(12,867)
Adjustments for:		
– Depreciation of property, plant and equipment	2,117	2,135
– Loss on disposal of property, plant and equipment	26	2
– Fair value loss on available-for-sale financial assets (transfer from equity on disposal)	119	–
– Reversal of provision for impairment of amount due from an associate	(1,953)	–
– Interest income	(4)	(95)
– Dividend income	(16)	(16)
– Provision for impairment of trade receivables	96	117
– Provision for impairment of amounts due from associates	319	92
– Share of profit of an associate	(35)	(105)
Changes in working capital:		
– Inventories	140	169
– Trade and other receivables	(3,732)	(369)
– Trade and other payables	2,682	5,264
Cash used in operations	(7,003)	(5,673)
Overseas tax paid	(61)	(103)
Hong Kong profits tax paid	–	(236)
Net cash used in operating activities	(7,064)	(6,012)

29. OPERATING LEASE COMMITMENTS

As at 31 March 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000
No later than one year	1,643	1,511
Later than one year and no later than five years	2,380	232
	4,023	1,743

Leases are negotiated for terms ranging from 1 to 5 years.

The Company did not have significant lease commitments as at 31 March 2011 and 2010.

30. RELATED PARTY TRANSACTIONS

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

	Group	
	2011 HK$'000	2010 HK$'000
Maintenance service fee received from an associate	169	1,135
Software incomes received from an associate	3	11
Software expenses paid to associates	5,470	3,683

Note: The software incomes and expenses and maintenance service fee were made in accordance with terms mutually agreed between the parties involved.

Key management compensation

	Group	
	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000
Short-term employee benefits	3,612	3,509
Post employment benefits	116	115
	3,728	3,624

31. COMPARATIVE FIGURES

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

32. EVENTS AFTER THE REPORTING PERIOD

(a) The Company entered into a sale and purchase agreement dated 5 January 2011 with SomaFlex Holdings Inc., which was approximately 98.27% beneficially owned by Mr. Lok Wai Man, to dispose of the entire equity interest in SomaFlex, together with its subsidiaries and associated companies (save and except Norray), at a cash consideration of HK$40 million. The transaction constituted a very substantial disposal and connected transaction on the part of the Company pursuant to the GEM Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 8 April 2011. The transaction was completed on 13 April 2011 and resulted in a gain on the disposal of subsidiaries of approximately HK$11 million.

(b) Pursuant to a board resolution dated 13 April 2011, the Company declared a special distribution to the shareholders. Further details are disclosed in Note 11 to these financial statements.