雲博

YUNBO DIGITAL SYNERGY GROUP LIMITED
雲博產業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

ANNUAL REPORT 2012

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Chow Ka Ming, Jimmy
Mr. Liu Zhiquan
Dr. Wong Wing Lit

COMPANY SECRETARY
Mr. Tung Tat Chiu, Michael

COMPLIANCE OFFICER
Mr. Kwong Wai Ho, Richard

AUTHORISED REPRESENTATIVES
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard

AUDIT COMMITTEE
Mr. Liu Zhiquan *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

REMUNERATION COMMITTEE
Dr. Chow Ka Ming, Jimmy *(Chairman)*
Mr. Liu Zhiquan
Dr. Wong Wing Lit

NOMINATION COMMITTTEE
Mr. Liu Zhiquan *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

AUDITORS
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS
Standard Chartered Bank
Shanghai Commercial Bank

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 2, 27/F, Golden Centre
188 Des Voeux Road Central
Central, Hong Kong

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

COMPANY HOMEPAGE
www.ybds.com.hk

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

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the board of directors (the "Board") of Yunbo Digital Synergy Group Limited (previously known as FlexSystem Holdings Limited) (the "Company"), I hereby present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

During the year ended 31 March 2012, the Group recorded revenue of approximately HK$15,727,000, representing a decrease of approximately 85% when compared with the last corresponding year. The significant drop in revenue was principally due to the Group having disposed of its subsidiaries and associated companies (save and except Norray Professional Computer Limited) to SomaFlex Holdings Inc., the former ultimate holding company of the Company. The transaction was completed on 13 April 2011. Profits attributable to owners for the year were approximately HK$6,233,000 as compared to a loss of HK$6,814,000 for the year ended 31 March 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 was initially believed to have a better growth potential.

Since I was appointed as an executive director of the Company on 30 January 2012, the board had conducted a detailed review of the operations of the Group with a view to develop a corporate strategy that would broaden our income base and enhance the growth potential of the Group. To achieve this target, it is believed that the Company should consider expanding into the China market in the areas of manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

In this connection, the Company is in the process of applying with the relevant government authorities in the People's Republic of China ("PRC") for the relevant licenses to operate the two wholly foreign owned enterprises ("WFOEs"). The business scope of these two WFOEs would include computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, smart modems, research and development of educational software and hardware; sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialised equipment, and procurement of technical services and support.

After the 2012 reporting period, on 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per new ordinary share to independent third parties. The net proceeds raised from the share placement and warrant placement was approximately HK$2,706,000 and HK$293,000 respectively. The majority part of the net proceeds from the share and warrant placements would be applied towards the Company's initial paid-in capital requirements in respect of the two aforementioned WFOEs.

EXECUTIVE DIRECTOR'S STATEMENT

To better reflect the Company's potential future business activities, effective from 13 April 2012, the name of the Company has been changed from "FlexSystem Holdings Limited" to "**Yunbo Digital Synergy Group Limited**" and "雲博產業集團有限公司" was adopted as its dual foreign name.

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 a better return to our shareholders.

Yau Hoi Kin
Executive Director

Hong Kong, 28 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to the macro economic conditions, the challenging business environment in Hong Kong prevailed throughout the year under review. The overall environment has moderately improved as business activities gradually pick up. The proposed larger-scale IT projects had increased the number of business opportunities in the market. To capitalise on these opportunities, the Group reinforced its sales efforts and deployed additional resources to enhance our product offerings. However, the intense competition and inflationary pressure constituted unforeseen difficulties which inhibited the Group's ability to continue to grow and improve profits. In retrospect, the Group 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 2012, the Group recorded revenue of approximately HK$15,727,000, representing a decrease of approximately 85% when compared with the last corresponding year. The significant drop in revenue was principally due to the Group having disposed of its subsidiaries and associated companies (save and except Norray Professional Computer Limited) to SomaFlex Holdings Inc., the former ultimate holding company of the Company. The transaction was completed on 13 April 2011. Profits attributable to owners for the year were approximately HK$6,233,000 as compared to a loss of HK$6,814,000 for the year ended 31 March 2011.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2012, the shareholders' funds of the Group amounted to approximately HK$4,503,000. Current assets were approximately HK$68,341,000, mainly comprising cash and cash equivalents of approximately HK$65,795,000 and trade and other receivables of approximately HK$2,546,000. Current liabilities mainly comprised trade and other payables of approximately HK$3,864,000 and bank borrowings of HK$60,000,000. The net asset value per share was approximately HK$0.008. The Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was 13.32 times. The liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was 1.07:1 (as at 31 March 2011: 1.7:1).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

During the year ended 31 March 2012, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency. The currency exchange rate risk of the Group is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

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 ("Mr. Lok"), 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 had conditionally agreed to sell and procure the sale of, and the Offeror had conditionally agreed to acquire, an aggregate of 479,298,000 shares of the Company (the "Sale Shares I") 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 had conditionally agreed to purchase and the Company had 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 and thus the Disposal also constitutes a connected transaction for the Company pursuant to the GEM Listing Rules and is subject to the approval of the independent shareholders of the Company.

Completion of the Share Agreement and Disposal Agreement

Completion of both the sale and purchase of Sale Shares I and 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.

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.

The Sale and Purchase Agreement

On 29 December 2011, Happy On Holdings Limited ("Happy On Holdings"), and Mr. Pong and Excel Score Limited ("Excel Score") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which Happy On Holdings agreed to acquire and Mr. Pong and Excel Score agreed to sell an aggregate of 420,000,000 shares of the Company (which are beneficially owned by Mr. Pong as to 114,000,000 shares and Excel Score as to 306,000,000 shares), representing in aggregate 70.00% of the entire issued share capital of the Company (the "Sale Shares II") for a total consideration of HK$133,000,000.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), Happy On Holdings was required to make an unconditional mandatory general offer in cash (the "Offer") for all the issued shares of the Company other than those already owned or agreed to be acquired by Happy On Holdings and parties acting in concert with it (the "Offer Shares"). Quam Securities Company Limited had made the Offer on behalf of Happy On Holdings in compliance with the Takeovers Code at the Offer price of HK$0.3167 per Offer Share, which is the same as the price per Sale Share II paid by Happy On Holdings under the Sale and Purchase Agreement.

Completion of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement took place immediately after the entering into of the Sale and Purchase Agreement on 29 December 2011 with Happy On Holdings having paid the full consideration to Mr. Pong and Excel Score in cash; while the Offer closed on 17 February 2012. Immediately following completion of the Offer, Happy On Holdings and parties acting in concert with it are interested in 420,002,000 shares of the Company, representing approximately 70.00% of the entire issued share capital of the Company.

Details of the transaction have been published in the Company's announcements dated 6 January, 27 January and 17 February 2012; and the composite document dated 27 January 2012.

Save as disclosed in this report, during the year ended 31 March 2012, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies or material investment.

COMMITMENTS

As at 31 March 2012, the Group had operating lease commitments in respect of rented office premises of approximately HK$162,000 (2011: HK$4,023,000). As at 31 March 2012 and 2011, the Group had no significant capital commitment and has no immediate plans for material investment.

CONTINGENT LIABILITIES

As at 31 March 2012 and 2011, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2012, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group had 14 employees (2011: 332 employees). The total remuneration paid to employees, including directors, for the year ended 31 March 2012 was approximately HK$3,116,000 (2011: HK$71,576,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee. Annual year-end double paid is paid based on each individual employee's performance as recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme.

SEGMENTAL INFORMATION

Business segments

During the year under review, the revenue of maintenance services has decreased by approximately 94% as disposal of subsidiaries took place on 13 April 2011. Moreover, the revenue of software sales has also decreased by approximately 96% due to disposal of subsidiaries on 13 April 2011.

Geographical segments

The provision of system integration services and other value-added technical consultation services and hardware-related business mainly caters to the local market. As such, virtually all revenue is derived from Hong Kong (2011: 79%).

Future plans for material investments or capital assets

The senior management of the Company had conducted a detailed review of the operations of the Group with a view to develop a corporate strategy that would broaden our income base and enhance the growth potential of the Group. To achieve this target, it is believed that the Company should consider expanding into the China market in the areas of manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

In this connection, the Company is in the process of applying with the relevant PRC government authority for the relevant licenses to operate the two wholly foreign owned enterprises ("WFOEs"). The business scope of these two WFOEs would include computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, smart modems, research and development of educational software and hardware; sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialised equipment, and procurement of technical services and support.

After the 2012 reporting period, on 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per new ordinary share to independent third parties. The net proceeds raised from the share placement and warrant placement was approximately HK$2,706,000 and HK$293,000 respectively. The majority part of the net proceeds from the share and warrant placements would be applied towards the Company's initial paid-in capital requirements in respect of the two aforementioned WFOEs.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Stock Exchange issued the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to 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 2012 except for the deviations from the Code Provision A.2.1 of the CG Code as disclosed in the paragraph headed "Chairman and Chief Executive Officer". Throughout the year, the Company continued to strive for improvement on its corporate governance.

The Board conducted reviews of the system of internal control of the Group to ensure an effective and adequate internal control system is in place. The Board also convened meetings to discuss financial, operational and risk management control.

In 2012, the Company continued to follow up on the implementation of enhancements to the internal control measures. Thus, the capacity of the Company's internal supervision and risk prevention continued to improve. ANDA CPA Limited ("ANDA") was engaged by the Company to conduct a comprehensive review on the internal controls of the Company. ANDA expressed the opinion that the Company's financial reporting system and the system of internal controls were adequate and effective for the review period which enabled the Company to comply with its obligations under Appendices 15 and 16 to the GEM Listing Rules.

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 2012.

EFFECTIVE AND EXPERIENCED BOARD

Board Composition

The Board comprised the following members during the year:

Executive Directors:

Mr. Yau Hoi Kin	*(appointed on 30 January 2012)*
Mr. Kwong Wai Ho, Richard	*(appointed on 30 January 2012)*
Dr. Huang Youmin	*(appointed on 30 January 2012)*
Mr. Lau Wai Shu	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Mr. Sit Hon Cheong	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
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:

Dr. Chow Ka Ming, Jimmy	*(appointed on 30 January 2012)*
Mr. Liu Zhiquan	*(appointed on 17 February 2012)*
Dr. Wong Wing Lit	*(appointed on 17 February 2012)*
Mr. Lung Hung Cheuk	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Ms. Yeung Wing Yan, Wendy	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Mr. Yip Tai Him	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
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)*

Board Meeting

The Board meets at least four times a year to, among other matters, review past financial and operating performance and discusses 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. Yau Hoi Kin	*(appointed on 30 January 2012)*	7/7
Mr. Kwong Wai Ho, Richard	*(appointed on 30 January 2012)*	7/7
Dr. Huang Youmin	*(appointed on 30 January 2012)*	7/7
Dr. Chow Ka Ming, Jimmy	*(appointed on 30 January 2012)*	5/6
Mr. Liu Zhiquan	*(appointed on 17 February 2012)*	5/6
Dr. Wong Wing Lit	*(appointed on 17 February 2012)*	5/6
Mr. Lau Wai Shu	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	7/7
Mr. Sit Hon Cheong	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	7/7
Mr. Lung Hung Cheuk	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	7/7
Mr. Yeung Wing Yan, Wendy	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	7/7
Mr. Yip Tai Him	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	6/7
Mr. Lok Wai Man	*(resigned on 7 May 2011)*	3/3
Mr. So Yiu King	*(resigned on 7 May 2011)*	3/3
Mr. Chow Chi Ming, Daniel	*(resigned on 7 May 2011)*	3/3
Mr. Tse Lin Chung	*(resigned on 7 May 2011)*	3/3
Mr. Lee Kar Wai	*(resigned on 7 May 2011)*	3/3
Mr. Mak Wing Kwong, David	*(resigned on 7 May 2011)*	3/3

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. The Board delegates the day-to-day operation and administration functions to the executive directors and management, while preserving the right to final approve key matters and strategic decisions. 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

Schedules and draft proposed agendas for all Board and committee meetings are normally made available to directors in advance.

Notice to regular Board meetings is served to all directors at least 14 business days before the meeting. 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, to the extent possible, 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 enabling them to make informed decisions. The Board and each director have separate and independent access to senior management whenever it deems necessary.

The secretary of the meeting 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 directors and independent non-executive directors, namely Mr. Tse Lin Chung, Mr. Lee Kar Wai, Mr. Mak Wing Kwong, David, Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy, and Mr. Yip Tai Him were appointed for a specific term.

On 21 June 2012, each of the current independent non-executive directors, namely Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit, entered into an appointment letter with the Company for a term of three years and are subject to retirement by rotation as 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 to be independent of 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. Mr. Lok Wai Man was previously responsible for leading the Company and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board; while the execution responsibilities lie with other executive directors and senior management of each business unit. 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 until their resignations on 17 February 2012.

Since their respective appointments on 30 January 2012, the executive directors, namely, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard, and Dr. Huang Youmin, are focused on evaluating new potential business and investment opportunities and formulating a new business strategy to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

Save as disclosed in the section of "Biographical Information of Directors and Senior Management", there is no financial, business, family or other material and/or relevant relationship between the executive directors and members of the Board.

AUDIT COMMITTEE

The audit committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

During the year, the audit committee comprised Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David. As at 7 May 2011, it comprised Mr. Yip Tai Him, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk. As of 17 February 2012, the audit committee comprised Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom are independent non-executive directors. Mr. Liu Zhiquan is the current chairman of the audit committee.

The primary duties of the audit committee 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 2012 have been reviewed by the audit committee, 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
Dr. Chow Ka Ming, Jimmy		1/1
Mr. Liu Zhiquan		1/1
Dr. Wong Wing Lit		1/1
Mr. Lung Hung Cheuk	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	4/4
Mr. Yip Tai Him	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	4/4
Ms. Yeung Wing Yan, Wendy	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	4/4
Mr. Tse Lin Chung	*(resigned on 7 May 2011)*	0/0
Mr. Lee Kar Wai	*(resigned on 7 May 2011)*	0/0
Mr. Mak Wing Kwong, David	*(resigned on 7 May 2011)*	0/0

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with the requirements set out under Code Provision B.1.3.

During the year, the remuneration committee had comprised Mr. Lok Wai Man, Mr. Tse Lin Chung and Mr. Lee Kar Wai. At 7 May 2011, it had comprised Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him. As of 17 February 2012, the remuneration committee comprised Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan, and Dr. Wong Wing Lit, all of whom are independent non-executive directors. Dr. Chow Ka Ming, Jimmy is the current chairman of the remuneration committee.

The remuneration committee 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 the remuneration of directors and senior management and determine on behalf of the Board the specific remuneration packages and conditions of employment for executive directors and senior management.

During the year ended 31 March 2012, 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 Meetings held during the year
Dr. Chow Ka Ming, Jimmy		1/1
Mr. Liu Zhiquan		1/1
Dr. Wong Wing Lit		1/1
Mr. Lung Hung Cheuk	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	1/1
Mr. Yip Tai Him	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	1/1
Ms. Yeung Wing Yan, Wendy	*(appointed on 7 May 2011 and resigned on 17 February 2012)*	1/1
Mr. Lok Wai Man	*(resigned on 7 May 2011)*	0/0
Mr. Tse Lin Chung	*(resigned on 7 May 2011)*	0/0
Mr. Lee Kar Wai	*(resigned on 7 May 2011)*	0/0

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 nomination committee was established in May 2011 and the Company had adopted a revised specific written terms of reference as of 21 March 2012 in compliance with the Code Provision A.4.5.

The nomination committee had comprised Ms. Yeung Wing Yan, Wendy, Mr. Lung Hung Cheuk and Mr. Yip Tai Him. As of 17 February 2012, the nomination committee comprised Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom are independent non-executive directors. Mr. Liu Zhiquan is the current chairman of the nomination committee.

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 accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

During the year under review, the remuneration paid or payable to the Company's auditors, HLB Hodgson Impey Cheng, in respect of its audit and non-audit services was as follow:

Type of Services	HK$'000
Audit services	400
Non-audit services	100
Total	500

INTERNAL CONTROL

The Board conducted reviews of the system of internal control of the Group to ensure an effective and adequate internal control system is in place. The Board also convened meetings to discuss financial, operational and risk management control.

In 2012, the Company continued to follow up on the implementation of enhancements to the internal control measures. Thus, the capacity of the Company's internal supervision and risk prevention continued to improve. ANDA was engaged by the Company to conduct a comprehensive review on the internal controls of the Company. ANDA expressed the opinion that the Company's financial reporting system and the system of internal controls were adequate and effective for the review period which enabled the Company to comply with its obligations under Appendices 15 and 16 to the GEM Listing Rules.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All directors acknowledge their responsibilities for preparing the audited consolidated financial statements for the year ended 31 March 2012.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report contained in this annual report for the year ended 31 March 2012.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Yau Hoi Kin (游海建) ("Mr. Yau"), aged 45, was appointed as an executive director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Mr. Yau has a wealth of practical experience and extensive knowledge of the business practices, and the legal and regulatory frameworks in the PRC. He had previously held senior positions in major international houses and spearheaded the listing of various State- and privately-owned companies in the PRC. Before that, Mr. Yau was an executive with the investment window company of the Guangzhou City Municipal Government. He had previously held an executive director position at a company listed in Hong Kong. Mr. Yau graduated with a degree in industrial enterprises management from 武漢水運工程學院 (now known as 武漢理工大學 or Wuhan University of Technology) and received his post-graduate certificate in business administration from the Hong Kong Open University. Save as disclosed above, Mr. Yau 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. Yau is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Kwong Wai Ho, Richard (鄺偉豪) ("Mr. Kwong"), aged 49, was appointed as an executive director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Mr. Kwong has expertise and extensive experience in the banking, international finance, and project advisory fields. Previously at a major international bank, he was instrumental in sourcing funding for many large scale infrastructure projects undertaken by window companies of the Guangzhou City Municipal Government, among others. Prior to joining the Company, he was a financial advisor to a number of private and listed companies in the Asia Pacific Region. Mr. Kwong had previously held executive director positions for companies listed on the GEM including Pan Asia Mining Limited for the period from 18 February 2008 to 26 January 2010. Mr. Kwong graduated from New York University with a Bachelor's degree in finance. Save as disclosed above, Mr. Kwong 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. Kwong is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Dr. Huang Youmin (黄友民) ("Dr. Huang"), aged 62, was appointed as an executive director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Prior to joining the Company, Dr. Huang was the principal investor and managing partner of a joint venture with the Ministry of Electronics Industry in the PRC. He spearheaded the research and development of automatic fare collection systems with embedded security features uniquely designed for the PRC's various public transport systems. Dr. Huang previously held various senior managerial positions in window companies of the Guangzhou City Municipal Government that invested and operated large scale infrastructure projects in telecommunications, highways and airports. Before that, he taught chemistry at his alma mater. Dr. Huang graduated from Jinan University with a Bachelor's degree in organic chemistry. He went to study at the University of California, Los Angeles before earning his Philosophy of Doctorate degree in physical organic chemistry at The University of Hong Kong. Save as disclosed above, Dr. Huang 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, Dr. Huang is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Independent Non-Executive Directors

Dr. Chow Ka Ming, Jimmy (周嘉明) ("Dr. Chow"), aged 37, was appointed as an independent non-executive director on 30 January 2012 and re-elected on 12 April 2012. He is currently the Chairman of the Hong Kong Information and System Security Professional Association, and also a member of the British Computer Society. Dr. Chow has more than 10 years of managerial experience in the information technology, engineering and education fields. His current research interests include mobile robotics, soft-computing, computer networking and Information security and he has published more than 20 international journal papers in his research fields. Dr. Chow received his BEng (Hons) in Electrical Engineering (First Class Honor) and Doctor of Philosophy in Electrical Engineering from The Hong Kong Polytechnic University in 1997 and 2001 respectively. He was also one of the awardees of the Sir Edward Youde Memorial Scholarships and Sir Edward Youde Memorial Fellowships during his undergraduate and doctoral degree studies respectively. Save as disclosed above, Dr. Chow 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, Dr. Chow is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Liu Zhiquan (劉志全) ("Mr. Liu"), aged 46, was appointed as an independent non-executive director on 17 February 2012 and re-elected on 12 April 2012. He is the secretary of the board of directors of Guangdong Nan Yue Logistics Company Limited, the shares of which are listed on the Stock Exchange (stock code: 3399). Mr. Liu is the director and the general manager of Guangdong Nan Yue Logistics (HK) Limited since July 2009. He obtained an executive master's degree of business management in 1999. He graduated from the course of Advanced Study for Secretary of Board of Directors provided by the training centre of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses professional technical qualification as an economist. Save as disclosed above, Mr. Liu 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. Liu is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Dr. Wong Wing Lit (黃榮烈) ("Dr. Wong"), aged 50, was appointed as an independent non-executive director on 17 February 2012 and re-elected on 12 April 2012. He is currently teaching actuary science and statistics in a university in Hong Kong. He is the Chairman of The Hong Kong Mathematical Olympiad Association, a statistician and associate actuary. Dr. Wong is a member of a number of professional bodies in Hong Kong including but not limited to Actuarial Society of Hong Kong and Hong Kong Statistical Society, and was conferred the title of Associate of The Society of Actuaries (ASA) in USA since 1993. Dr. Wong graduated from The Chinese University of Hong Kong with a Master of Philosophy degree and a Bachelor's degree in Statistics. He furthered his studies at the University of Pittsburgh, where he received his Doctorate and Master degree in Statistics and Mathematics. Save as disclosed above, Dr. Wong 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, Dr. Wong 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 consolidated financial statements of the Group for the year ended 31 March 2012.

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 2012, the Group was principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business. 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.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 12 April 2012 and an approval from the Registrar of Companies in the Cayman Islands on 13 April 2012, the name of the Company has been changed from "FlexSystem Holdings Limited" to "Yunbo Digital Synergy Group Limited" with the adoption of "雲博產業集團有限公司" as its dual foreign name on 13 April 2012. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 11 May 2012.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on pages 26 and 27.

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. The special dividend was paid on 18 April 2011. The total amount of the distribution is HK$41,580,000.

The directors did not recommend the payment of a final dividend for the year ended 31 March 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 23. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions 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.

SHARE CAPITAL AND SHARE OPTIONS

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

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 31 and note 27 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2012, in the opinion of the directors, the Company's reserve available for distribution to shareholders (comprising share premium) amounted to approximately HK$38,292,000.

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.

BANK BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2012 are set out in note 24 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Share Placement

On 17 May 2012, the Company and KGI Asia Limited entered into a share placing agreement in respect of the placement of 15,000,000 ordinary shares of the Company to independent investors at a price of HK$0.185 per ordinary share.

The share placement was completed on 4 June 2012.

Details of the transaction have been published in the Company's announcements dated 17 May and 4 June 2012.

Warrant Placement

On 17 May 2012, the Company and KGI Asia Limited entered into a warrant placing agreement in respect of the placement of 30,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company at a subscription price of HK$0.185.

The placement was completed on 4 June 2012 with the warrants expiring on 4 June 2017.

Details of the transaction have been published in the Company's announcements dated 17 May and 4 June 2012.

As at the latest practicable date, so far as the directors of the Company are aware of and having made due enquires, no warrants have been exercised. The Company had 30,000,000 outstanding warrants; the exercise in full of these warrants would result in further issuance of 30,000,000 ordinary shares.

Save as disclosed herewith, 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 2012.

SHARE OPTION SCHEME

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the executive directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue from time to time. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the year ended 31 March 2012.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Yau Hoi Kin	*(appointed on 30 January 2012)*
Mr. Kwong Wai Ho, Richard	*(appointed on 30 January 2012)*
Dr. Huang Youmin	*(appointed on 30 January 2012)*
Mr. Lau Wai Shu	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Mr. Sit Hon Cheong	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
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:

Dr. Chow Ka Ming, Jimmy	*(appointed on 30 January 2012)*
Mr. Liu Zhiquan	*(appointed on 17 February 2012)*
Dr. Wong Wing Lit	*(appointed on 17 February 2012)*
Mr. Lung Hung Cheuk	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Ms. Yeung Wing Yan, Wendy	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
Mr. Yip Tai Him	*(appointed on 7 May 2011 and resigned on 17 February 2012)*
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)*

In accordance with Article 86(3) of the Company's articles of association, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard, Dr. Huang Youmin, Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit 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

As at the date of this report, the Company has entered into a service contract with all current executive directors, namely Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard and Dr. Huang Youmin, and independent non-executive directors, namely, Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit for a term of three years commencing from their respective 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 15 and 16.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's remuneration committee with reference to their relevant qualifications, experience and duties and responsibilities in the Group and prevailing market conditions.

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with the requirements set out under Code Provision B.1.3.

During the year, the remuneration committee had comprised Mr. Lok Wai Man, Mr. Tse Lin Chung and Mr. Lee Kar Wai. As of 7 May 2011, it had comprised Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him. As of 17 February 2012, the remuneration committee comprised Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit, all of whom are independent non-executive directors. Dr. Chow Ka Ming, Jimmy is the current chairman of the remuneration committee.

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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 31 March 2012, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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 the details of connected transactions during the year under the GEM Listing Rules are set out in note 31(1)(i) to the consolidated financial statement. 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 the date of this report. The connected transactions fall under the definition of "connected transaction" in Chapter 20 of the GEM Listing Rules and the Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

As at 31 March 2012, 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 Securities and Futures Ordinance ("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 2012, 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**	**Approximate percentage of issued share capital as at 31 March 2012** (Note 2)
Happy On Holdings Limited (Note 1)	Beneficial Interest	420,002,000	70.00%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Corporate Interest	420,002,000	70.00%

Notes:

1. Pursuant to the Sale and Purchase Agreement entered into on 29 December 2011, Happy On Holdings, a company beneficially and wholly-owned by Mr. Chan, has conditionally agreed to purchase and Excel Score Limited, a company beneficially and wholly-owned by Mr. Pong Wai San Wilson, has conditionally agreed to sell 420,000,000 shares of the Company. The transaction was completed on 29 December 2011. Reference is made to an announcement of the Company dated 17 February 2012 in relation to, among others, results of the offer that Happy On Holdings, being the offeror, received valid acceptances in respect of a total of 2,000 Offer Shares under the Offer so that Happy On Holdings in aggregate holds 420,002,000 Shares of the Company. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On Holdings, by virtue of the SFO, Mr. Chan is deemed to be interested in the 420,002,000 shares held by Happy On Holdings.

2. Based on 600,000,000 shares of the Company in issue as at 31 March 2012.

Save as disclosed above, as at 31 March 2012, 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 2012, the largest and the five largest suppliers of the Group accounted for approximately 42% and 71% of the Group's total purchases respectively. Sales to the largest and the five largest customers of the Group accounted for approximately 16% and 45% of the Group's total sales respectively.

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 and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2012, 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

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the GEM Listing Rules throughout the financial period under review and up to the date of this annual report.

EVENTS AFTER REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 33 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

The audit committee previously comprised of Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David. As at 7 May 2011, it comprised of Mr. Yip Tai Him, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk. As of 17 February 2012, the three members of the audit committee comprised of Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom were independent non-executive directors. Mr. Liu Zhiquan is the current chairman of the audit committee.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 9 to 14 of this annual report.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yau Hoi Kin
Executive Director

Hong Kong, 28 June 2012

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 2012

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000
RESULTS					
Revenue	100,702	97,149	89,106	102,033	**15,727**
Profit/(loss) before income tax	19,026	3,177	(12,867)	(6,762)	**6,379**
Income tax	1,225	202	35	(1)	**–**
Profit/(loss) for the year	20,251	3,379	(12,832)	(6,763)	**6,379**
Attributable to:					
Owners of the Company	20,038	3,360	(12,810)	(6,814)	**6,233**
Non-controlling interests	213	19	(22)	51	**146**
	20,251	3,379	(12,832)	(6,763)	**6,379**
ASSETS AND LIABILITIES					
Total assets	82,659	80,300	73,587	70,623	**68,367**
Total liabilities	(23,224)	(20,804)	(25,930)	(28,552)	**(63,864)**
	59,435	59,496	47,657	42,071	**4,503**
Attributable to:					
Owners of the Company	58,588	58,630	46,813	41,176	**4,334**
Non-controlling interests	847	866	844	895	**169**
	59,435	59,496	47,657	42,071	**4,503**

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
YUNBO DIGITAL SYNERGY GROUP LIMITED
(Formerly known as FlexSystem Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yunbo Digital Synergy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 78, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 2012, and of the Group's profit 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, 28 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	15,727	102,033
Cost of sales		(10,129)	(34,755)
Gross profit		5,598	67,278
Other income and net gains	6	84	2,031
Gain on disposal of subsidiaries	29(b)	10,822	–
Share of profit of an associate		–	35
Distribution costs		(623)	(29,761)
Administrative expenses		(9,427)	(45,614)
Other operating expenses		(75)	(731)
Profit/(Loss) before income tax		6,379	(6,762)
Income tax expense	8	–	(1)
Profit/(Loss) for the year		6,379	(6,763)
Other comprehensive (expense)/income			
Available-for-sale financial assets:			
Change in fair value		–	342
Reclassification adjustments for losses included in the consolidated statement of comprehensive income			
– Loss on disposal		–	119
Reclassification adjustments for translation reserve released upon disposal of subsidiaries		(1,495)	–
Currency translation differences		–	716
Other comprehensive (expense)/income for the year, net of tax		(1,495)	1,177
Total comprehensive income/(expense) for the year		4,884	(5,586)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 HK$'000	2011 HK$'000
Profit/(Loss) for the year attributable to:			
– Owners of the Company		6,233	(6,814)
– Non-controlling interests		146	51
		6,379	(6,763)
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		4,738	(5,637)
– Non-controlling interests		146	51
		4,884	(5,586)
Earnings/(Loss) per share attributable to owners of the Company (express in HK cents)			
– Basic and diluted	10	1.04	(1.14)

The notes on pages 33 to 78 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	13	26	20,181
Investments in associates	15	–	989
Interest in a jointly-controlled entity	16	–	–
Available-for-sale financial assets	18	–	15
Amounts due from investee companies	19	–	–
		26	21,185
Current assets			
Inventories	20	–	525
Trade and other receivables	21	2,546	21,440
Current income tax assets		–	899
Cash and cash equivalents	22	65,795	26,574
		68,341	49,438
Total assets		68,367	70,623
Current liabilities			
Trade and other payables	23	3,864	28,552
Bank borrowings	24	60,000	–
		63,864	28,552
Net current assets		4,477	20,886
Total assets less current liabilities		4,503	42,071
Net assets		4,503	42,071

	Note	2012 HK$'000	2011 HK$'000
Equity			
Equity attributable to the owners of the Company			
Share capital	25	60,000	60,000
Reserves		(55,666)	(18,824)
		4,334	41,176
Non-controlling interests		169	895
Total equity		4,503	42,071

The financial statements on pages 26 to 78 were approved by the Board of Directors on 28 June 2012 and were signed on its behalf.

Yau Hoi Kin
Director

Kwong Wai Ho, Richard
Director

The notes on pages 33 to 78 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	13	13	–
Investments in subsidiaries	14	524	2
Available-for-sale financial assets	18	–	–
		537	2
Current assets			
Prepayments, deposits and other receivables	21	256	338
Cash and cash equivalents	22	5,756	13,621
		6,012	13,959
Total assets		6,549	13,961
Current liabilities			
Amount due to a subsidiary	14	100	–
Other payables and accruals	23	1,243	296
		1,343	296
Net current assets		4,669	13,663
Total assets less current liabilities		5,206	13,665
Net assets		5,206	13,665
Equity			
Equity attributable to the owners of the Company			
Share capital	25	60,000	60,000
Reserves	27	(54,794)	(46,335)
Total equity		5,206	13,665

The financial statements on pages 26 to 78 were approved by the Board of Directors on 28 June 2012 and were signed on its behalf.

Yau Hoi Kin	**Kwong Wai Ho, Richard**
Director	*Director*

The notes on pages 33 to 78 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Attributable to the owners of the Company								
	Share capital HK$'000 (Note 25)	Share premium HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Available-for-sale investments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 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)
Balance at 31 March 2011 and 1 April 2011	60,000	77,955	(47,430)	1,495	–	(50,844)	41,176	895	42,071
Comprehensive income									
Profit for the year	–	–	–	–	–	6,233	6,233	146	6,379
Other comprehensive expense									
Reclassification adjustments for translation reserve released upon disposal of subsidiaries	–	–	–	(1,495)	–	–	(1,495)	–	(1,495)
Total comprehensive income	–	–	–	(1,495)	–	6,233	4,738	146	4,884
Special distribution	–	(41,580)	–	–	–	–	(41,580)	–	(41,580)
Disposal of subsidiaries	–	–	47,430	–	–	(47,430)	–	(872)	(872)
Balance at 31 March 2012	60,000	36,375	–	–	–	(92,041)	4,334	169	4,503

The notes on pages 33 to 78 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash used in operating activities	29(a)	(5,267)	(7,064)
Cash flows from investing activities			
Interest received		1	4
Dividend received		–	16
Net cash inflow on disposal of subsidiaries	29(b)	26,046	–
Purchase of property, plant and equipment		(24)	(538)
Repayment from associates		23	1,871
Repayment from investee companies		22	–
Proceed from disposal of available-for-sale financial assets		–	853
Net cash generated from investing activities		26,068	2,206
Cash flows from financing activities			
Proceeds from bank borrowings		60,000	–
Special distribution paid		(41,580)	–
Net cash generated from financing activities		18,420	–
Net increase/(decrease) in cash and cash equivalents		39,221	(4,858)
Cash and cash equivalents at beginning of year		26,574	30,757
Exchange gains on cash and cash equivalents		–	675
Cash and cash equivalents at end of year		65,795	26,574
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	22	65,795	24,717
Short-term bank deposits	22	–	1,857
		65,795	26,574

The notes on pages 33 to 78 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (formerly known as 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 Room 2, 27/F., Golden Centre, 188 Des Voeux Road Central, 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 (collectively referred to as the "Group") are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business.

In opinion of the directors, the parent and ultimate holding company of the Company is Happy On Holdings 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 28 June 2012.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Group

(i) The following amendments to standards are mandatory for accounting periods beginning on 1 April 2011. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Amendment)	Consolidated and separate financial statements	1 July 2010
HKAS 34 (Amendment)	Interim financial reporting	1 January 2011
HKFRS 3 (Amendment)	Business combinations	1 July 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011
Annual Improvements Project	Third annual improvements projects (2010) published in May 2010	1 January 2011

(ii) The following amendments to standards and interpretations are mandatory for accounting periods beginning on 1 April 2011 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HK(IFRIC) – Int 13 (Amendment)	Customer loyalty programmes	1 January 2011
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int 19 (Amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised) (Amendment)	Presentation of items of other comprehensive income	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS1 (Amendment)	First-time adoption – Government loans	1 January 2013
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 7 (Amendment)	Financial instruments: Disclosure – Transfers of financial assets	1 July 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosure – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK(IFRIC) – Int 20	Stripping costs in production phase of a surface mine	1 January 2013

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

(a) Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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. 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.

(b) Separate financial statements

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 results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.3 Transactions with non-controlling interests

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Transactions with non-controlling interests (continued)

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. 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.

2.4 Jointly controlled entities

Jointly controlled entities are joint ventures whereby 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 investments in jointly controlled entities include goodwill (net of any accumulated impairment) identified on acquisition.

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 other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses 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 interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.6 Segment reporting

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

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains/(losses) – net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;

(ii) 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 rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in equity.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.8 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of buildings and leasehold improvements are calculated to write off their cost on a straight-line basis over the unexpired period of the lease.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

Leasehold land classified as 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 costs 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.

2.9 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"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 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 financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.1 Classification (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.14 and 2.15).

(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.

2.10.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within "other gains/(losses) – 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 securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the consolidated statement of comprehensive income, translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "other gains/(losses) – net".

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2.12 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan 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 profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2.14 Trade and other receivables

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

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

2.15 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.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 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.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

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

(a) Current income tax

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, associates 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.

(b) Deferred income tax

Inside basis differences

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, 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.

Outside basis differences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax (continued)

(c) Offsetting

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.

2.21 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. 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.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(d) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan.

The Group recognises the fair value of the employee services received in exchange for the share options granted as an expense in the consolidated statement of comprehensive income over the vesting period with a corresponding increase being recognised in an employee share-based compensation reserve.

The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (for example, an entity's share price);

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.22 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. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. 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) Dividend income is recognised when the right to receive payment is established.

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

2.24 Operating leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (i) above.
- A person, or a close member of that person's family, who has control or joint control over the Group has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.26 Dividend distribution

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

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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 not exposed to significant price risk.

(iii) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 24). However, the management considers that the risk is insignificant to the Group.

(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.

(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 bank borrowings, 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 2012, the Group did not have any derivative financial liabilities (2011: Nil).

The Group's and the Company's non-derivative financial liabilities due within 12 months equal their carrying balances as the impact of discounting is not significant.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders 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 equity holders, return capital to equity holders, issue new shares or reduce debt.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

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 the year ended 31 March 2012, the Group's strategy, which was unchanged from the year ended 31 March 2011, was to maintain a gearing ratio of zero. The gearing ratios at 31 March 2012 and 2011 were zero as the Group has no net borrowings or debt.

3.3 Fair value estimation

The Group does not have any financial instruments that are measured in the statement of financial position at fair value.

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings) approximate their fair values due to their short maturities.

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.

Impairment of trade and other receivables

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

5. REVENUE AND SEGMENT INFORMATION

	2012 HK$'000	2011 HK$'000
Revenue		
Hardware	11,341	12,807
Software	2,045	51,846
Services	2,341	37,380
	15,727	102,033

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions. Executive Directors are considered as the Chief Operating Decision Maker ("CODM").

5. REVENUE AND SEGMENT INFORMATION (continued)

The CODM review the Group's financial information mainly from hardware, software and services perspective. The CODM 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 CODM.

The CODM assess the performance of the operating segments based on a measure of reportable segment profit/(loss). This measurement basis excludes other income and net gains, gain on disposal of subsidiaries, 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 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 2012 is as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	11,341	2,045	2,341	–	15,727
Reportable segment (loss)/profit	(1,432)	220	1,660	(4,975)	(4,527)
Other income and net gains					84
Gain on disposal of subsidiaries					10,822
Profit before income tax					6,379
Income tax expense (Note 8)					–
Profit for the year					6,379
Depreciation of property, plant and equipment	–	–	–	21	21
Addition to non-current assets	–	–	–	24	24

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment information for the year ended 31 March 2011 is as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	12,807	51,846	37,380	–	102,033
Reportable segment (loss)/profit	(3,322)	(13,968)	12,020	(3,558)	(8,828)
Other income and net gains					2,031
Share of profit of an associate					35
Loss before income tax					(6,762)
Income tax expense (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

An analysis of the Group's assets as at 31 March 2012 by reportable segment is set out below:

	Hardware HK$'000	**Software HK$'000**	**Services HK$'000**	**Total HK$'000**
Segment assets	**1,256**	**744**	**182**	**2,182**
Unallocated assets				**66,185**
Total assets per consolidated statement of financial statement				**68,367**

5. REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's liabilities as at 31 March 2012 by reportable segment is set out below:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Total HK$'000
Segment liabilities	**945**	**33**	**–**	**978**
Unallocated liabilities				**62,886**
Total liabilities per consolidated statement of financial statement				**63,864**

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

	Hardware HK$'000	Software HK$'000	Services 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 statement				70,623

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

	Hardware HK$'000	Software HK$'000	Services HK$'000	Total HK$'000
Segment liabilities	–	9,965	9,112	19,077
Unallocated liabilities				9,475
Total liabilities per consolidated statement of financial statement				28,552

5. REVENUE AND SEGMENT INFORMATION (continued)

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

	2012 HK$'000	2011 HK$'000
Revenue		
Hong Kong	15,042	80,586
PRC	414	11,227
Other countries	271	10,220
	15,727	102,033

Two (2011: Nil) single external customers contribute more than 10% revenue of the Group. Revenues of approximately HK$2,544,000 (2011: HK$974,000) and HK$2,447,000 (2011: HK$3,924,000) are derived from customer A and customer B, respectively. These revenues are attributable to hardware and services segments.

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

	2012 HK$'000	2011 HK$'000
Non-current assets		
Hong Kong	26	20,212
PRC	–	718
Other countries	–	240
	26	21,170

6. OTHER INCOME AND NET GAINS

	2012 HK$'000	2011 HK$'000
Dividend income on available-for-sale financial assets	–	16
Interest income on short-term bank deposits	1	4
Reversal of provision for impairment of amount due from an associate	–	1,953
Others	83	58
	84	2,031

7. EXPENSES BY NATURE

	2012 HK$'000	2011 HK$'000
Depreciation of property, plant and equipment	21	2,117
Employee benefit expense (Note 12)	3,116	71,576
Loss on disposal of property, plant and equipment	–	26
Fair value loss on available-for-sale financial assets (transfer from equity on disposal)	–	119
Cost of inventories (Note 20)	9,509	10,594
Inventories written off	–	190
Operating lease payments in respect of rented premises	397	1,691
Auditors' remuneration	400	450
Bad debts written off	75	105
Provision for impairment of trade receivables (Note 21)	–	96
Provision for impairment of amounts due from associates	–	319

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. No tax is payable on the profit for the year ended 31 March 2012 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. No provision for Hong Kong profits tax was made for the year ended 31 March 2011 as the Group had no assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2012 HK$'000	2011 HK$'000
Current income tax		
– Overseas taxation	–	1
Income tax expense	–	1

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

	2012 HK$'000	2011 HK$'000
Profit/(Loss) before income tax	6,379	(6,762)
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	1,052	(1,115)
Income not subject to tax	(1,880)	(1,208)
Expenses not deductible for tax purpose	3	478
Tax losses for which no deferred income tax asset was recognised	1,151	1,850
Utilisation of previously unrecognised tax losses	(326)	(5)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	1
Income tax expense	–	1

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

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$33,121,000 (2011: loss of approximately HK$25,910,000).

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company for the year of approximately HK$6,233,000 (2011: loss of approximately HK$6,814,000) by the weighted average number of 600,000,000 (2011: 600,000,000) ordinary shares in issue during the year.

There is no diluted earnings/(loss) per share since the Company has no dilutive potential ordinary shares in existence for the years ended 31 March 2012 and 2011.

11. DIVIDENDS AND DISTRIBUTIONS

The special distribution of HK$0.0693 per share, totalling HK$41,580,000, was paid on 18 April 2011. No final dividend was proposed for the year ended 31 March 2012.

12. EMPLOYEE BENEFIT EXPENSE

	2012 HK$'000	2011 HK$'000
Salaries, wages and other benefits	3,045	68,652
Pension costs – defined contribution schemes (Note (a))	71	2,924
Total employee benefit expense (including directors' remuneration)	3,116	71,576

(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 2011 and 2012, there were no material contributions forfeited.

For the year ended 31 March 2011, the PRC subsidiary of the Group participated in an employees' retirement scheme implemented by the Chinese local government. Contributions were made to the scheme at rate of 13% to 30% of the applicable basic payroll costs.

For the year ended 31 March 2011, the Singapore subsidiary of the Group participated in the Central Provident Fund. Contributions were made at 35% to 35.5% 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 2012 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Bonus	Employer's contributions to defined contribution schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Yau Hoi Kin (note (a))	–	310	–	–	310
Mr. Kwong Wai Ho, Richard (note (a))	–	310	–	–	310
Dr. Huang Youmin (note (a))	–	165	–	–	165
Mr. Lok Wai Man (note (c))	–	15	–	–	15
Mr. So Yiu King (note (c))	–	–	–	–	–
Mr. Chow Chi Ming, Daniel (note (c))	–	–	–	–	–
Mr. Lau Wai Shu (note (d))	–	–	–	–	–
Mr. Sit Hon Cheong (note (d))	–	–	–	–	–
Independent non-executive directors					
Dr. Chow Ka Ming, Jimmy (note (a))	17	–	–	–	17
Mr. Liu Zhiquan (note (b))	12	–	–	–	12
Dr. Wong Wing Lit (note (b))	12	–	–	–	12
Mr. Tse Lin Chung (note (c))	–	–	–	–	–
Mr. Lee Kar Wai (note (c))	–	–	–	–	–
Mr. Mak Wing Kwong, David (note (c))	–	–	–	–	–
Mr. Yip Tai Him (note (d))	39	–	–	–	39
Ms. Yeung Wing Yan, Wendy (note (d))	39	–	–	–	39
Mr. Lung Hung Cheuk (note (d))	39	–	–	–	39
	158	800	–	–	958

(a) Appointed on 30 January 2012.

(b) Appointed on 17 February 2012.

(c) Resigned on 7 May 2011.

(d) Appointed on 7 May 2011 and resigned on 17 February 2012.

12. EMPLOYEE BENEFIT EXPENSE (continued)

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

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	Bonus	Employer's contributions to defined contribution schemes	Total
	HK$'000	HK$'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

During the year, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil). None of the directors waived or agreed to waive any remuneration during the year (2011: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowances and benefits in kind	728	2,228
Bonus	–	–
Employer's contributions to defined contribution schemes	34	81
	762	2,309

	2012 Number of Individuals	2011 Number of Individuals
The emoluments fell within the following band:		
Nil – HK$1,000,000	3	3

During the year, no emoluments were paid to the five highest paid individuals as an inducement to join the Group or as compensation for loss of office (2011: Nil).

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 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 charge	(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

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 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
Year ended 31 March 2012							
Opening net book amount	11,474	6,943	226	609	901	28	20,181
Additions	–	–	–	14	10	–	24
Depreciation charge	–	–	–	(14)	(4)	(3)	(21)
Disposal of subsidiaries	(11,474)	(6,943)	(226)	(595)	(895)	(25)	(20,158)
Closing net book amount	–	–	–	14	12	–	26
At 31 March 2012							
Cost	–	–	–	164	1,047	–	1,211
Accumulated depreciation	–	–	–	(150)	(1,035)	–	(1,185)
Net book amount	–	–	–	14	12	–	26

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

	2012 HK$'000	2011 HK$'000
In Hong Kong:		
On lease between 10 to 50 years	–	11,474

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company
	Plant and machinery HK$'000
At 1 April 2010 and 31 March 2011	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 March 2012	
Opening net book amount	–
Additions	14
Depreciation charge	(1)
Closing net book amount	13
At 31 March 2012	
Cost	14
Accumulated depreciation	(1)
Net book amount	13

14. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	1	47,550
Less: Provision for impairment	–	(47,550)
	1	–
Amounts due from subsidiaries (Note (b))	523	79,556
Less: Provision for impairment (Note (b))	–	(79,554)
	523	2
	524	2

14. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (continued)

(a) Investments in subsidiaries (continued)

The following is a list of the principal subsidiaries of the Company as at 31 March 2012:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held
Subsidiaries held directly:				
Aion Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Excellent Master Investments Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%
Huge Cyber Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Joy Epoch Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Subsidiaries held indirectly:				
Norray Professional Computer Limited	Hong Kong	Provision of system integration services and other value-add technical consultation services and hardware-related business in Hong Kong	200,000 ordinary shares of HK$1 each	70%
Able Bloom Technology Limited	Hong Kong	Dormant	1 ordinary share of HK$1 each	100%
Pacific Honour Development Limited	Hong Kong	Dormant	1 ordinary share of HK$1 each	100%

All of the above subsidiaries of the Group are limited liability companies.

14. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (continued)

(b) Amounts due from/to 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	
	2012	2011
	HK$'000	HK$'000
At 1 April	**79,554**	55,450
Provision for impairment	**–**	24,104
Derecognised on disposal of subsidiaries	**(79,554)**	–
At 31 March	**–**	79,554

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

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

15. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
Cost of investment in associates, unlisted	**–**	610
Share of post-acquisition results and reserves	**–**	(1,984)
Loss in excess of cost of investment	**–**	(1,374)
Amounts due from associates	**–**	6,253
Less: Provision for impairment	**–**	(3,890)
	–	2,363
	–	989

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

15. INVESTMENTS IN ASSOCIATES (continued)

Details of the associates of the Group as at 31 March 2011 were as follows:

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

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

	2012 HK$'000	2011 HK$'000
Total assets	–	11,665
Total liabilities	–	15,390
Revenues	–	8,153
Profit	–	1,993

The Group had 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:

	2012 HK$'000	2011 HK$'000
Unrecognised share of profits of associates for the year	–	953
Accumulated unrecognised share of losses of associates	–	(323)

During the year ended 31 March 2012, the Company disposed of all of its associates through disposal of SomaFlex International Inc., further details of which are disclosed in note 29(b).

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2012	2011
	HK$'000	HK$'000
Cost of investment in a jointly-controlled entity	–	1,950
Amount due to a jointly-controlled entity	–	(1,950)
	–	–

Details of the jointly-controlled entity of the Group as at 31 March 2011 were 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 was unsecured, interest-free and repayable on demand.

As at 31 March 2011, 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.

During the year ended 31 March 2012, the Company disposed of its jointly-controlled entity through disposal of SomaFlex International Inc., further details of which are disclosed in note 29(b).

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 statement

31 March 2012	Note	**Loans and receivables HK$'000**
Trade and other receivables	21	**2,413**
Cash and cash equivalents	22	**65,795**
Total		**68,208**

Liabilities per consolidated statement of financial statement

31 March 2012	Note	**Amortised cost HK$'000**
Trade and other payables	23	**3,831**
Bank borrowings	24	**60,000**
Total		**63,831**

Assets per consolidated statement of financial statement

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 statement

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

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**15**	526	**–**	511
Fair value gain recognised in equity	**–**	342	**–**	342
Disposal	**–**	(853)	**–**	(853)
Derecognised on disposal of subsidiaries	**(15)**	–	**–**	–
	–	15	**–**	–

There was no impairment of provision on available-for-sale financial assets at 31 March 2012 (2011: Nil).

19. AMOUNTS DUE FROM INVESTEE COMPANIES

	Group	
	2012	2011
	HK$'000	HK$'000
Amounts due from investee companies	**–**	3,065
Less: Provision for impairment	**–**	(3,065)
	–	–

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

During the year ended 31 March 2012, the Company disposed of all of its investee companies through disposal of SomaFlex International Inc., further details of which are disclosed in note 29(b).

20. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Merchandise	**–**	525

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$9,509,000 (2011: HK$10,594,000).

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note (a))	**2,182**	17,453	**–**	–
Prepayments, deposits and other receivables	**364**	3,125	**256**	338
Advances to staff (Note (e))	**–**	862	**–**	–
	2,546	21,440	**256**	338

Notes:

(a) The credit period granted by the Group to its customers generally ranged from 30 to 90 days. As at 31 March 2012 and 2011, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0–30 days	**1,564**	6,837
31–60 days	**43**	2,332
61–90 days	**–**	788
91–180 days	**1**	2,755
181–365 days	**116**	1,627
Over 365 days	**458**	3,114
	2,182	17,453

21. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) As of 31 March 2012, trade receivables of approximately HK$618,000 (2011: HK$7,496,000) were past due as at the end of the reporting period 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 based on due date was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0–30 days	**43**	–
31–60 days	**–**	–
61–90 days	**1**	–
91–180 days	**–**	2,755
181–365 days	**116**	1,627
Over 365 days	**458**	3,114
	618	7,496

(c) As at 31 March 2012, trade receivables of approximately HK$96,000 (2011: HK$5,301,000) were impaired. No provision for impairment was recognised for the year ended 31 March 2012 (2011: HK$96,000). 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 based on invoice date was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Over 365 days	**96**	5,301

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

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**5,301**	5,205
Provision for impairment of trade receivables (Note 7)	**–**	96
Derecognised on disposal of subsidiaries	**(5,205)**	–
At end of the year	**96**	5,301

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 at 31 March 2011 were unsecured, interest-free and had no fixed terms of repayment.

The other classes within trade and other receivables do not contain impaired assets. 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash at bank and in hand	65,795	24,717	5,756	13,621
Short-term bank deposits	–	1,857	–	–
Maximum exposure to credit risk	65,795	26,574	5,756	13,621

The effective interest rate on short-term bank deposits was 0.06% in 2011. These short-term deposits have an average maturity of 30 days.

As at 31 March 2011, the Group had bank balances and cash of approximately HK$1,630,000 which were 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables (Note (a))	945	2,157	–	–
Other payables and accruals	2,886	7,317	1,243	296
Amount due to an investee company (Note (b))	–	1	–	–
Deferred income	–	9,112	–	–
Sales deposits received	33	9,965	–	–
	3,864	28,552	1,243	296

23. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) The ageing analysis of trade payables based invoice date was as follows:

	Group	
	2012 HK$'000	2011 HK$'000
0–30 days	413	784
31–60 days	459	509
61–90 days	5	193
91–180 days	8	151
181–365 days	60	45
Over 365 days	–	475
	945	2,157

(b) The amount due to an investee company at 31 March 2011 was unsecured, interest-free and had no fixed terms of repayment.

24. BANK BORROWINGS

	Group	
	2012 HK$'000	2011 HK$'000
Bank loans-secured	60,000	–
Carrying amount repayable:		
Amounts due on demand or within one year shown under current liabilities	60,000	–

As at 31 March 2012, the Group's bank loans were secured by ultimate holding company's bank deposits and bear interest at 2% per annum over HIBOR.

All bank loans were denominated in Hong Kong dollars and the effective interest rate at the end of reporting period was 2.15% per annum (2011: Nil).

The carrying amounts of bank loans approximate their fair value, as the impact of discounting is not significant due to their short-term maturity.

25. SHARE CAPITAL

	Company	
	2012	2011
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000

26. SHARE OPTIONS

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 1 August 2011 ("Adoption Date"), the Company adopted the new share option scheme ("New Scheme") on the Adoption Date. The major terms of the New Scheme are summarised as follows:

(a) The purpose of the New Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(b) The participants included any employee or consultant, advisor, agent, contractor, client or supplier of the Company or any subsidiary who in the sole opinion of the Board has contributed or is expected to contribute to the Group ("Participant").

(c) The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregated exceed 30% of the issued share capital of the Company from time to time.

(d) The initial total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Group) to be granted under the scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issued at the day on which the New Scheme is approved and such limit might be refreshed by shareholders in general meeting.

26. SHARE OPTIONS (continued)

(e) The total number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Group to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

(f) Unless the directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the New Scheme can be exercised.

(g) An offer of the grant of the option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(h) The subscription price for shares under the New Scheme will be a price determined by the directors, but shall not be less than the higher of:

- the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;
- the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and
- the nominal value of the shares.

(i) The New Scheme will remain in force for a period of 10 years commencing on the date on which the New Scheme is adopted.

No share options were granted by the Company or outstanding at any time during the year ended 31 March 2012.

27. RESERVES

	Company			
	Share premium HK$'000	**Available-for-sale investments reserve** HK$'000	**Accumulated losses** HK$'000	**Total reserves** HK$'000
Balance at 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	–	342	–	342
– Changes in fair value				
– 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)
Balance at 31 March 2011 and 1 April 2011	**79,872**	**–**	**(126,207)**	**(46,335)**
Comprehensive income				
Profit for the year	**–**	**–**	**33,121**	**33,121**
Total comprehensive income	**–**	**–**	**33,121**	**33,121**
Special distribution	**(41,580)**	**–**	**–**	**(41,580)**
Balance at 31 March 2012	**38,292**	**–**	**(93,086)**	**(54,794)**

28. DEFERRED INCOME TAX

Deferred income tax liabilities:

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 2012 and 2011.

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 2012, the unrecognised deferred income tax assets of the Group and of the Company are as follows:

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Tax effect of temporary difference attributable to estimated tax losses	**2,817**	5,300	**2,768**	1,650

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to net cash used in operating activities:

	2012 **HK$'000**	2011 HK$'000
Profit/(Loss) before income tax	**6,379**	(6,762)
Adjustments for:		
– Gain on disposal of subsidiaries	**(10,822)**	–
– Depreciation of property, plant and equipment	**21**	2,117
– Loss on disposal of property, plant and equipment	**–**	26
– 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	**(1)**	(4)
– Dividend income	**–**	(16)
– Provision for impairment of trade receivables	**–**	96
– Provision for impairment of amounts due from associates	**–**	319
– Share of profit of an associate	**–**	(35)
Changes in working capital:		
– Inventories	**–**	140
– Trade and other receivables	**226**	(3,732)
– Trade and other payables	**(1,070)**	2,682
Cash used in operations	**(5,267)**	(7,003)
Overseas tax paid	**–**	(61)
Net cash used in operating activities	**(5,267)**	(7,064)

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Gain on disposal of subsidiaries:

On 13 April 2011, the Group disposed of its entire equity interest in SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) to SomaFlex Holdings Inc., the former ultimate holding company of the Company, for a cash consideration of HK$40,000,000 and realised a gain on disposal of approximately HK$10,822,000. The transaction constituted a related party transaction and also a very substantial disposal and connected transaction on the part of the Company under the GEM Listing Rules.

Aggregate net assets disposed on date of disposal:

	2012 HK$'000
Property, plant and equipment	20,158
Investments in associates	966
Available-for-sale financial assets	15
Inventories	525
Trade and other receivables	18,696
Income tax assets	899
Bank balances and cash	13,954
Trade and other payables	(23,668)
	31,545
Translation reserve released	(1,495)
Gain on disposal of subsidiaries	10,822
Non-controlling interests	(872)
Consideration received	40,000
Satisfied by:	
Cash and cash equivalents received as consideration	40,000
Cash and cash equivalents disposed	(13,954)
Net cash inflow on disposal	26,046

30. OPERATING LEASE COMMITMENTS

As at 31 March 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
No later than one year	**162**	1,643
Later than one year and no later than five years	**–**	2,380
	162	4,023

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

The Company did not have significant lease commitments as at 31 March 2012 and 2011.

31. RELATED PARTY TRANSACTIONS

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

(i) (a) During the year ended 31 March 2012, the Group disposed of its entire equity interests in SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) to SomaFlex Holdings Inc., the former ultimate holding company of the Company. Details of the disposal have been disclosed in note 29(b) above.

(b) As at 31 March 2012, the Group had banking facilities amounting to HK$100,000,000 (2011: Nil) secured by the ultimate holding company's bank deposits. As at 31 March 2012, the unutilised banking facilities amounted to HK$40,000,000 (2011: Nil).

The above transactions constituted connected transaction as defined in Chapter 20 of the GEM Listing Rules.

31. RELATED PARTY TRANSACTIONS (continued)

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

(ii) Transaction with related parties

The following is a summary of significant related party transaction which were carried out in the normal course of the Group's business:

		Group	
	Note	2012 HK$'000	2011 HK$'000
Maintenance service fee received from an associate	(a)	–	169
Software incomes received from an associate	(a)	–	3
Software expenses paid to associates	(a)	–	5,470
Printing service fee paid to a related company controlled by a former substantial shareholder of the Company	(b)	478	–

Notes:

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

(b) The printing service fee was made in accordance with terms mutually agreed between the parties involved.

(2) Compensation of key management personnel of the Group

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	958	3,612
Post-employment benefits	–	116
	958	3,728

32. COMPARATIVE FIGURES

The comparative figures of revenue and segment information have been reclassified to conform to the current year's presentation.

33. EVENTS AFTER THE REPORTING PERIOD

On 4 June 2012, the Company announced that it had completed, through the placing agent, the placing of an aggregate of 15,000,000 new shares of HK$0.1 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each to independent third parties. The Company raised net proceeds for the share placing and the warrant placing of approximately HK$2,706,000 and HK$293,000 respectively. The majority part of the net proceeds from the share placing and the warrant placing would be applied towards the establishment of two wholly foreign owned enterprises in the PRC.