



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

Interim Report
2010/2011

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

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

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

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

The board of Directors (the "Board") of FlexSystem Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2010 with the unaudited consolidated comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	25,507	20,598	46,827	39,562
Cost of sales		(9,202)	(8,132)	(16,506)	(14,623)
Gross profit		16,305	12,466	30,321	24,939
Other income		24	76	137	164
Distribution costs		(6,964)	(6,095)	(13,464)	(12,001)
Administrative expenses		(10,757)	(10,419)	(20,949)	(20,094)
Other operating expenses		540	(72)	(78)	(299)
Loss before income tax		(852)	(4,044)	(4,033)	(7,291)
Income tax	3	-	-	-	-
Loss for the period		(852)	(4,044)	(4,033)	(7,291)
Other comprehensive income					
Change in fair value of available-for-sale financial assets		65	46	140	157

	<i>Notes</i>	Three months ended		Six months ended	
		30 September		30 September	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income for the period, net of tax		65	46	140	157
Total comprehensive loss for the period, net of tax		(787)	(3,998)	(3,893)	(7,134)
Loss for the period attribution to:					
Equity holders of the Company		(931)	(3,923)	(3,942)	(7,216)
Non-controlling interest		79	(121)	(91)	(75)
		(852)	(4,044)	(4,033)	(7,291)
Total comprehensive loss attributable to:					
Equity holders of the Company		(866)	(3,877)	(3,802)	(7,059)
Non-controlling interest		79	(121)	(91)	(75)
		(787)	(3,998)	(3,893)	(7,134)
Loss per share for the loss attributable to the equity holders of the Company during the period					
– basic and diluted (in HK cents)	4	(0.16) cents	(0.65) cents	(0.66) cents	(1.2) cents
Dividend		Nil	Nil	Nil	Nil

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	Notes	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Non-current assets			
Leasehold land and land use rights		11,634	11,791
Property, plant and equipment		9,180	9,954
Investments in associates		890	1,191
Investment in a jointly-controlled entity		–	–
Available-for-sale financial assets		666	526
Amounts due from investee companies		–	–
		22,370	23,462
Current assets			
Inventories		651	665
Trade and other receivables	5	17,952	17,804
Current income tax assets		899	899
Bank balances and cash		28,396	30,757
		47,898	50,125
Total assets		70,268	73,587
Current liabilities			
Trade and other payables	6	26,455	25,870
Current income tax liabilities		49	60
		26,504	25,930
Net current assets		21,394	24,195
Total assets less current liabilities		43,764	47,657
Capital and reserves			
Share capital	7	60,000	60,000
Reserves		(16,989)	(13,187)
Capital and reserves attributable to equity holders of the Company		43,011	46,813
Non-controlling interest		753	844
Total equity		43,764	47,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Non-controlling interest HK\$'000	
Balance at 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)	866	59,496
Comprehensive income									
Loss for the period	-	-	-	-	-	(7,216)	(7,216)	(75)	(7,291)
Other comprehensive income									
Change in fair value of available-for-sale financial assets	-	-	-	-	157	-	157	-	157
Total comprehensive income	-	-	-	-	157	(7,216)	(7,059)	(75)	(7,134)
Balance at 30 September 2009	60,000	77,955	(47,430)	(46)	(472)	(38,436)	(8,429)	791	52,362
Balance at 1 April 2010	60,000	77,955	(47,430)	779	(461)	(44,030)	(13,187)	844	47,657
Comprehensive income									
Loss for the period	-	-	-	-	-	(3,942)	(3,942)	(91)	(4,033)
Other comprehensive income									
Change in fair value of available-for-sale financial assets	-	-	-	-	140	-	140	-	140
Total comprehensive income	-	-	-	-	140	(3,942)	(3,802)	(91)	(3,893)
Balance at 30 September 2010	60,000	77,955	(47,430)	779	(321)	(47,972)	(16,989)	753	43,764

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September 2010 HK\$'000 (unaudited)	Six months ended 30 September 2009 HK\$'000 (unaudited)
Net cash used in operating activities	<u>(2,321)</u>	(2,220)
Net cash used in investing activities	<u>(40)</u>	(161)
Net cash used in financing activities	<u>-</u>	-
Net decrease in cash and cash equivalents	(2,361)	(2,381)
Cash and cash equivalents at beginning of the period	30,757	36,064
Effect of foreign exchange rate change, net	<u>-</u>	-
Cash and cash equivalents at the end of the period	<u>28,396</u>	<u>33,683</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>28,396</u>	<u>33,683</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Basis of presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2. Revenue and segment information

The Group is principally engaged in the development, sale and lease of enterprise software products in Hong Kong, mainland China (the "PRC") and other Asian countries. The unaudited consolidated revenue for the six months ended 30 September 2010 with the unaudited consolidated figures for the corresponding period in 2009 are as follows:–

	Three months ended 30 September		Six months ended 30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:–				
Software	13,304	12,073	23,950	21,384
Services	8,611	7,216	16,927	15,840
Other operations	3,592	1,309	5,950	2,338
	25,507	20,598	46,827	39,562

(a) Primary reporting format – business segments

As at 30 September 2010, the Group is organised into two main business segments:

- Software – sale of enterprise software; and
- Services – provision of maintenance services.

Other operations of the Group mainly comprise sale of hardware products.

The segment information for the six months ended 30 September 2010 is as follows:

	Software HK\$'000 (unaudited)	Services HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Group HK\$'000 (unaudited)
Revenue from external customers	23,950	16,927	5,950	-	46,827
Reportable segment (loss)/profit	(5,950)	4,762	(1,814)	(1,168)	(4,170)
Other income					137
Loss before income tax					(4,033)
Income tax (Note 3)					-
Loss for the period					(4,033)
Depreciation of property, plant and equipment	-	-	-	(835)	(835)
Amortisation of prepaid operating lease payments	-	-	-	(158)	(158)
Addition to non-current assets	-	-	-	(59)	(59)

The segment information for the six months ended 30 September 2009 is as follows:

	Software HK\$'000 (unaudited)	Services HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Group HK\$'000 (unaudited)
Revenue from external customers	21,384	15,840	2,338	-	39,562
Reportable segment (loss)/profit	(7,809)	3,805	(2,091)	(1,359)	(7,454)
Other income					163
Loss before income tax					(7,291)
Income tax (Note 3)					-
Loss for the period					(7,291)
Depreciation of property, plant and equipment	-	-	-	(887)	(887)
Amortisation of prepaid operating lease payments	-	-	-	(158)	(158)
Addition to non-current assets	-	-	-	(103)	(103)

An analysis of the Group's assets as at 30 September 2010 by reportable segment is set out below:

	Software	Services	Other	Total
	HK\$'000	HK\$'000	operations	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	-	-	651	651
Investments in associates				890
Available-for-sale financial assets				666
Current income tax assets				899
Unallocated assets				67,522
Total assets per consolidated balance sheet				70,628

An analysis of the Group's liabilities as at 30 September 2010 by reportable segment is set out below:

	Software	Services	Other	Total
	HK\$'000	HK\$'000	operations	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	7,365	9,204	-	16,569
Current income tax liabilities				49
Unallocated liabilities				9,886
Total liabilities per consolidated balance sheet				26,504

An analysis of the Group's assets as at 30 September 2009 by reportable segment is set out below:

	Software HK\$'000	Services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment assets	-	-	758	758
Investments in associates				1,075
Available-for-sale financial assets				515
Current income tax assets				897
Unallocated assets				<u>72,854</u>
Total assets per consolidated balance sheet				<u>76,099</u>

An analysis of the Group's liabilities as at 30 September 2009 by reportable segment is set out below:

	Software HK\$'000	Services HK\$'000	Other operations HK\$'000	Total HK\$'000
Segment liabilities	5,760	8,696	-	14,456
Current income tax liabilities				24
Deferred income tax liabilities				124
Unallocated liabilities				<u>9,133</u>
Total liabilities per consolidated balance sheet				<u>23,737</u>

(b) Secondary reporting format – geographical segments

The Group mainly operates in Hong Kong, the People's Republic of China (the "PRC") and other Asia Pacific countries.

	Six months ended 30 September 2010 HK\$'000 (unaudited)	Six months ended 30 September 2009 HK\$'000 (unaudited)
Revenue:--		
Hong Kong	37,246	31,644
PRC	4,617	4,523
Other countries	4,964	3,395
	46,827	39,562

Revenue is allocated based on the country in which the customer is located.

3. Income Tax

No provision for Hong Kong profits tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods.

No provision for overseas income tax has been made in the results as the Group has no assessable profits for the periods.

4. Loss per share

The Group's basic losses per share for the three months and six months ended 30 September 2010 is calculated by dividing the loss attributable to equity holders of the Company of approximately HK\$931,000 and HK\$3,942,000 respectively by the weighted average number of 600,000,000 ordinary shares in issue during the period.

The Group's basic earnings per share for the three months and six months ended 30 September 2009 is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$3,923,000 and HK\$7,216,000 respectively by the weighted average number of 600,000,000 ordinary shares in issue during the period.

5. Trade and other receivables

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade receivables	14,609	14,804
Prepayments, deposits and other receivables	2,414	2,148
Advances to staff	929	852
	17,952	17,804

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. As at 30 September 2010, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
0-30 days	3,729	5,007
31-60 days	3,482	1,606
61-90 days	1,035	1,091
91-180 days	1,684	1,832
181-365 days	2,653	2,977
Over 365 days	2,026	2,291
	14,609	14,804

6. Trade and other payables

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade payables	2,353	3,294
Other payables and accruals	7,483	6,429
Amount due to investee companies	50	8
Deferred income	9,204	8,867
Sales deposits received	7,365	7,272
	26,455	25,870

The ageing analysis of trade payables is as follows:–

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
0-30 days	1,406	2,477
31-60 days	726	665
61-90 days	133	30
91-180 days	–	4
181-365 days	–	90
Over 365 days	88	28
	2,353	3,294

7. Share Capital

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 30 September 2010, turnover increased by approximately 18% to approximately HK\$46.8 million as compared with the corresponding period last period. Moreover, the Group also recorded loss attributable to shareholders amounted to approximately HK\$3,942,000.

Business review and Outlook

The first half of the year under review continued to be tough by the keen market competition. Against severe competition, the Group has adjusted its focus on operating efficiently and expanding company scale. Over the years, the Group has been continuing investment and development, which is one of the major factors to sustain business growth. Leveraging on our technology and business expertise, product offerings are enriched and deliver improvements in operational efficiencies to our customers.

Meanwhile, the market competition is still intense and we remain alert to further difficulties and challenges. To meet the competition and difficult market conditions ahead, we will continue investing new products and solutions for existing and new markets to sustain our business growth.

Financial resources and liquidity

As at 30 September 2010, the shareholders' funds of the Group amounted to approximately HK\$44 million. Current assets were approximately HK\$48 million, mainly comprising bank balances and cash of approximately HK\$28 million, inventories of approximately HK\$0.7 million and trade and other receivables of approximately HK\$18 million. Current liabilities were approximately HK\$27 million, mainly comprising trade and other payables of approximately HK\$26 million and taxation payable of approximately HK\$0.04 million respectively. The net asset value per share was approximately HK\$0.07. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2010, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 1.8:1 (As at 31 March 2010: 1.9:1), reflecting the adequacy of financial resources.

Exposure to exchange rate fluctuations

During the period ended 30 September 2010, the Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant investments and acquisitions and disposal

During the period ended 30 September 2010, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

As at 30 September 2010, the Group had no material investment.

Capital commitments

As at 30 September 2010, the Group had no future plans for material investment.

Contingent liabilities

As at 30 September 2010, the Group had no material contingent liabilities.

Charges on the Group's assets

As at 30 September 2010, the Group had no charges on the Group's assets.

Capital structure

The Group remains a debt free capital structure and will utilise internal funding for its business operations and development. The Group will also consider external funding when the cost of internal funding exceeds the cost of external funding.

Segmental information

Business segment

During the period under review, the turnover of maintenance services has slightly increased by approximately 6.9% as compared with the previous period. Moreover, the turnover of software sale has also increased by approximately 12%.

Geographical segments

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

In the PRC, the turnover has slightly increased by approximately 2% as compared with the previous period.

Employees and remuneration policies

As at 30 September 2010, the Group had 331 employees (2009: 333). The total remuneration to employees, including that to the directors, for the period ended 30 September 2010 amounted to approximately HK\$35 million (2009: HK\$31 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC and Singapore.

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

As at 30 September 2010, the interests and short position of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the company

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

Notes:

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

No share options were granted by the Company and no debt securities were issued by the Company at any time during the period ended 30 September 2010.

Save as disclosed above, as at 30 September 2010, none of the directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in the shares of the company

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

Notes:

- SomaFlex Holdings Inc. is beneficially owned as to 98.27% by Mr. Lok Wai Man, as to 0.76% by Mr. So Yiu King, as to 0.76% by Mr. Chow Chi Ming, Daniel and as to 0.21% by Mr. Leung Wai Cheung.
- As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holding Inc., he is deemed, by virtue of the SFO, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc..

Save as disclosed above, as at 30 September 2010, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept 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.

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

Pursuant to the share option scheme for employees which was adopted on 15 July 2000, the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the share option scheme. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

No share options were granted by the Company during the period ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed share during the period ended 30 September 2010.

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 period or at any time during the period.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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 six months ended 30 September 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The company has complied with the code provisions as set out in the Code on Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules through the period under review, except that:

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

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

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

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

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

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

AUDIT COMMITTEE

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

The Group's unaudited consolidated results for the six months ended 30 September 2010 have been reviewed by the committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005.

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period ended 30 September 2010, none of the directors, the initial management shareholders or the 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed shares during the period ended 30 September 2010.

By order of the Board
FlexSystem Holdings Limited
Lok Wai Man
Chairman

Hong Kong, 9 November 2010

As at the date of this report, the executive Directors of the Company are Mr. Lok Wai Man, Mr. So Yiu King and Mr. Chow Chi Ming, Daniel and the independent non-executive Directors of the Company are Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David.