

# FlexSystem Holdings Limited



(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

interim report  
2011/2012

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

The board of the Directors (the "Board") of FlexSystem Holdings Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2011 together with the unaudited comparative figures for the corresponding period in 2010 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2011

	Note	Three months ended 30 September		Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>3,599</b>	25,507	<b>9,576</b>	46,827
<b>Cost of sales</b>		<b>(3,133)</b>	(9,202)	<b>(5,577)</b>	(16,506)
<b>Gross profit</b>		<b>466</b>	16,305	<b>3,999</b>	30,321
<b>Other income</b>		<b>2</b>	24	<b>34</b>	137
<b>Gain on disposal of subsidiaries</b>		-	-	<b>10,822</b>	-
<b>Distribution costs</b>		<b>(7)</b>	(6,964)	<b>(118)</b>	(13,464)
<b>Administrative expenses</b>		<b>(1,122)</b>	(10,757)	<b>(5,467)</b>	(20,949)
<b>Other operating expenses</b>		-	540	-	(78)
<b>Profit (Loss) before income tax</b>		<b>(661)</b>	(852)	<b>9,270</b>	(4,033)
<b>Income tax</b>	4	-	-	-	-
<b>Profit (Loss) for the period</b>		<b>(661)</b>	(852)	<b>9,270</b>	(4,033)
<b>Other comprehensive income (expense)</b>					
Change in fair value of available-for-sale financial assets		-	65	-	140
Reclassification adjustment for translation reserve released upon disposal of subsidiaries		-	-	<b>(1,495)</b>	-

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the three and six months ended 30 September 2011

Note	Three months ended 30 September		Six months ended 30 September		
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	
Other comprehensive (expense) income for the period, net of tax	-	65	<b>(1,495)</b>	140	
Total comprehensive income (expense) for the period, net of tax	<b>(661)</b>	(787)	<b>7,775</b>	(3,893)	
<b>Profit (Loss) for the period attributable to:</b>					
Owners of the Company	<b>(574)</b>	(931)	<b>9,217</b>	(3,942)	
Non-controlling interests	<b>(87)</b>	79	<b>53</b>	(91)	
	<b>(661)</b>	(852)	<b>9,270</b>	(4,033)	
<b>Total comprehensive income (expense) for the period attributable to:</b>					
Owners of the Company	<b>(574)</b>	(866)	<b>7,722</b>	(3,802)	
Non-controlling interests	<b>(87)</b>	79	<b>53</b>	(91)	
	<b>(661)</b>	(787)	<b>7,775</b>	(3,893)	
<b>Earning (Loss) per share attributable to the owners of the Company</b>					
- basic and diluted (in HK cent(s))	5	<b>(0.1)</b>	(0.16)	<b>1.54</b>	(0.66)
Dividend	<b>Nil</b>	Nil	<b>41,580</b>	Nil	

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Note	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		20	20,181
Investments in associates		–	989
Interest in a jointly-controlled entity		–	–
Available-for-sale financial assets		–	15
Amounts due from investee companies		–	–
		<b>20</b>	<b>21,185</b>
<b>Current assets</b>			
Inventories		–	525
Trade and other receivables	6	3,218	21,440
Current income tax assets		–	899
Cash and cash equivalents		8,420	26,574
		<b>11,638</b>	<b>49,438</b>
<b>Total assets</b>		<b>11,658</b>	<b>70,623</b>
<b>Current liabilities</b>			
Trade and other payables	7	4,264	28,552
Current income tax liabilities		–	–
		<b>4,264</b>	<b>28,552</b>
<b>Net current assets</b>		<b>7,374</b>	<b>20,886</b>
<b>Total assets less current liabilities</b>		<b>7,394</b>	<b>42,071</b>
<b>Equity</b>			
Capital and reserves attributable to the owners of the Company			
Share capital	8	60,000	60,000
Reserves		(52,682)	(18,824)
		<b>7,318</b>	<b>41,176</b>
Non-controlling interests		76	895
<b>Total equity</b>		<b>7,394</b>	<b>42,071</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	<b>Six months ended 30 September 2011 HK\$'000 (unaudited)</b>	Six months ended 30 September 2010 HK\$'000 (unaudited)
<b>Net cash used in operating activities</b>	<b>(2,620)</b>	(2,321)
<b>Net cash generated from/(used in) investing activities</b>	<b>26,046</b>	(40)
<b>Net cash used in financing activities</b>	<b>(41,580)</b>	–
Net decrease in cash and cash equivalents	<b>(18,154)</b>	(2,361)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>26,574</b>	30,757
Effect of foreign exchange rate change, net	–	–
<b>Cash and cash equivalents at the end of the period</b>	<b>8,420</b>	28,396
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>8,420</b>	28,396

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to the owners of the Company								
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Available-for-sale investments reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
As at 1 April 2010	60,000	77,955	(47,430)	779	(461)	(44,030)	46,813	844	47,657
<b>Comprehensive expense</b>									
Loss for the period	-	-	-	-	-	(3,942)	(3,942)	(91)	(4,033)
<b>Other comprehensive income</b>									
Change in fair value of available-for-sale financial assets	-	-	-	-	140	-	140	-	140
Total comprehensive income (expense)	-	-	-	-	140	(3,942)	(3,802)	(91)	(3,893)
Dividends	-	-	-	-	-	-	-	-	-
As at 30 September 2010	60,000	77,955	(47,430)	779	(321)	(47,972)	43,011	753	43,764
As at 1 April 2011	<b>60,000</b>	<b>77,955</b>	<b>(47,430)</b>	<b>1,495</b>	-	<b>(50,844)</b>	<b>41,176</b>	<b>895</b>	<b>42,071</b>
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	9,217	9,217	53	9,270
<b>Other comprehensive expense</b>									
Reclassification adjustment for translation reserve released upon disposal of subsidiaries	-	-	-	(1,495)	-	-	(1,495)	-	(1,495)
Total comprehensive income (expense)	-	-	-	(1,495)	-	9,217	7,722	53	7,775
Special distribution	-	(41,580)	-	-	-	-	(41,580)	-	(41,580)
Disposal of subsidiaries	-	-	47,430	-	-	(47,430)	-	(872)	(872)
As at 30 September 2011	<b>60,000</b>	<b>36,375</b>	-	-	-	<b>(89,057)</b>	<b>7,318</b>	<b>76</b>	<b>7,394</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 1. General information

FlexSystem Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Unit A, 6/F., Nine Queen's Road Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (together the "Group") are principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services.

The Group have disposed of the subsidiaries engaged in development and sale of enterprise software and provision of maintenance services and the disposal was completed on 13 April 2011. After completion of the disposal, the Group is mainly engaged in provision of system integration services and other value-added technical consultation services and hardware-related business.

## 2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 (the "Condensed Financial Report") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2011 (the "2011 Annual Financial Statements").

The preparation of the Condensed Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Condensed Financial Report have been prepared under the historical cost convention. The Condensed Financial Report is presented in Hong Kong Dollars ("HK\$") which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK\$'000") unless otherwise stated.



### 3. Revenue and segment information

Revenue represents the net invoiced value of goods sold and net value of services rendered, after allowances for returns and trade discounts.

All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. Revenue recognised during the period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue:</b>				
Hardware	<b>3,333</b>	3,592	<b>6,084</b>	5,950
Software	<b>17</b>	13,304	<b>1,645</b>	23,950
Services	<b>249</b>	8,611	<b>1,847</b>	16,927
	<b>3,599</b>	25,507	<b>9,576</b>	46,827

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

The Executive Directors review the Group's financial information mainly from hardware, software and services perspectives. The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment (loss)/profit. This measurement basis excludes other income, share of profit of an associate and unallocated expenses.

Segment assets mainly exclude investments in associates, 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.

	Hardware		Software		Services		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2011	2010	2011	2010	2011	2010	2011	2010
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	

Reportable segment revenue:								
From external customers	<b>6,084</b>	5,950	<b>1,645</b>	23,950	<b>1,847</b>	16,927	<b>9,576</b>	46,827

Reportable segment profit/(loss)	<b>(438)</b>	(1,814)	<b>1,119</b>	(5,950)	<b>1,523</b>	4,762	<b>2,204</b>	(3,002)
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	Hardware		Software		Services		Total	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2011	2011	2011	2011	2011	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	

Reportable segment assets	<b>2,406</b>	525	<b>651</b>	-	<b>12</b>	-	<b>3,069</b>	525
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The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended	
	30 September	2010
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reportable segment profit (loss)	<b>2,204</b>	(3,002)
Gain on disposal of subsidiaries	<b>10,822</b>	-
Depreciation	<b>(14)</b>	(835)
Unallocated corporate expense	<b>(3,776)</b>	(333)
Unallocated corporate income	<b>34</b>	137
Profit (loss) before income tax	<b>9,270</b>	(4,033)

	As at	
	30 September	31 March
	2011	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Total segment assets	<b>3,069</b>	525
Investments in associates	-	989
Available-for-sale financial assets	-	15
Current income tax assets	-	899
Unallocated assets	<b>8,589</b>	68,195
Total assets per balance sheet	<b>11,658</b>	70,623

#### 4. Income tax

No provision for Hong Kong profits tax or overseas income tax has been made as the Group had no assessable profit for the respective periods.

Deferred tax had not been provided for the Group because the Group had no material temporary differences at the reporting date (30 September 2010: Nil).

#### 5. Earning (loss) per share

Basic earning (loss) per share for the three months and six months ended 30 September 2011 is calculated by dividing the loss or profit attributable to owners of the Company for the period of approximately loss of HK\$574,000 and profit of HK\$9,217,000 respectively (three months and six months ended 30 September 2010: losses of HK\$931,000 and HK\$3,942,000 respectively) by the weighted average number of 600,000,000 ordinary shares in issue during the periods.

There is no diluted earning (loss) per share since the Company has no dilutive potential ordinary shares in existence for the periods.

#### 6. Trade and other receivables

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

	<b>30 September 2011 HK\$'000 (unaudited)</b>	31 March 2011 HK\$'000 (audited)
<b>Trade receivables</b>		
0-30 days	<b>2,189</b>	6,837
31-60 days	<b>23</b>	2,332
61-90 days	<b>192</b>	788
91-180 days	<b>40</b>	2,755
181-365 days	<b>283</b>	1,627
Over 365 days	<b>342</b>	3,114
	<b>3,069</b>	17,453

## 7. Trade and other payables

As at 30 September 2011, the ageing analysis of trade payables is as follows:

	<b>30 September 2011 HK\$'000 (unaudited)</b>	31 March 2011 HK\$'000 (audited)
<b>Trade payables</b>		
0-30 days	<b>2,347</b>	784
31-60 days	<b>303</b>	509
61-90 days	–	193
91-180 days	<b>140</b>	151
181-365 days	–	45
Over 365 days	<b>16</b>	475
	<b>2,806</b>	2,157

## 8. Share capital

	<b>30 September 2011 HK\$'000 (unaudited)</b>	31 March 2011 HK\$'000 (audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid: 600,000,000 ordinary shares of HK\$0.10 each	<b>60,000</b>	60,000

## 9. Disposal of subsidiaries

During the six months ended 30 September 2011, the Group disposed of subsidiaries engaged in development and sale of enterprise software and relevant provision of maintenance services and the disposal was completed on 13 April 2011.

Details of net assets disposed of and gain on disposal are as follows:

	<b>At 13 April 2011</b>
	<b>HK\$'000</b>
<b>Net assets disposed of</b>	
Property, plant and equipment	20,158
Investments in associates	966
Interest in a jointly-controlled entity	–
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)
Non-controlling interests	(872)
	<hr/>
	30,673
Translation reserve released	(1,495)
Gain on disposal of subsidiaries	10,822
	<hr/>
<b>Consideration satisfied by cash</b>	<b>40,000</b>
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<b>Net cash inflow arising on disposal</b>	
Cash received	40,000
Cash and cash equivalents disposed of	(13,954)
	<hr/>
	26,046
	<hr/>

## 10. Material related party transaction

The Group had printing services fee of HK\$311,000 (six months ended 30 September 2010: Nil) paid to a related company owned by a substantial shareholder of the Company and controlled by one of the directors of the Company. The transactions were conducted at pre-determined prices in accordance with terms mutually agreed between the Group and the related company. The transaction is conducted in the normal course of business.

## **INTERIM DIVIDEND**

On 13 April 2011, the Board resolved that a special dividend of HK\$0.0693 per share, amounting to HK\$41,580,000, was paid to the shareholders of the Company. The special dividend was paid in April 2011.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

During the six months ended 30 September 2011, the Group recorded a revenue of approximately HK\$9,576,000, representing a decrease of approximately 80% compared with the corresponding period last year of approximately HK\$46,827,000. The decrease in revenue was mainly attributed to the disposal of subsidiaries engaged in development and sale of enterprise software and relevant provision of the maintenance services. The disposal was completed on 13 April 2011.

Profit before income tax of the Group for the six months ended 30 September 2011 was approximately HK\$9,270,000, compared with loss before income tax of approximately HK\$4,033,000 for corresponding period last year. Profit attributable to owners of the Company for the period was increased to approximately HK\$9,217,000 compared with loss attributable to owners of the Company of approximately HK\$3,942,000 for the corresponding period last year.

### **Business review and prospects**

In view of the challenging environment, the Group has disposed of subsidiaries engaged in development and sale of enterprise software and provision of the 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 during the period.

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

Current businesses remain stable. With a view to developing a corporate strategy to broaden the income stream of the Group, the Group may explore other business opportunities and consider whether any assets and/or business acquisitions will be appropriate for the development of the Group.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2011, the shareholders' funds of the Group amounted to approximately HK\$7,400,000. Current assets were approximately HK\$11,600,000, mainly comprising bank balances and cash of approximately HK\$8,400,000, and trade and other receivables of approximately HK\$3,200,000. Current liabilities were mainly comprising trade and other payables of approximately HK\$4,300,000. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2011, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 2.7:1 (As at 31 March 2011: 1.7:1), reflecting the adequacy of financial resources.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATIONS**

During the six months ended 30 September 2011, the Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSAL**

### **The Share Agreement**

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

### **The Disposal Agreement**

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

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

## **Completion of the Share Agreement and the Disposal Agreement**

Both completion of the sale and purchase of Sale Shares 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 as at the date of completion of the sale and purchase of Sale Shares.

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

Saved as disclosed above, there were no material acquisitions and disposals of subsidiaries and affiliated companies or material investment which need to be disclosed in accordance with the requirements of the GEM Listing Rules during the period under review and up to date of this report.

## **CAPITAL COMMITMENTS**

As at 30 September 2011, the Group had no future plans for material investment.

## **CONTINGENT LIABILITIES**

As at 30 September 2011, the Group had no material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 September 2011, the Group had no charges on the Group's assets.

## **SEGMENT INFORMATION**

The analysis of the principal activities of the operations of the Group are set out in note 3 to the unaudited condensed financial statements of this report.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2011, the Group had 13 employees (2010: 331). The total remuneration to employees, including that to the Directors, for the six months ended 30 September 2011 amounted to approximately HK\$994,000 (2010: HK\$35 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.



## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS**

As at 30 September 2011, none of the Directors, the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS**

As at 30 September 2011, so far as the Directors are aware of and having made due enquires, the following persons had an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations 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:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of issued share capital as at 30 September 2011</b>
Mr. Pong Wai San, Wilson	Corporate Interest	306,000,000 (Note 1)	51.00%
	Beneficial Interest	128,598,000	21.43%
Ms. Tung Ching Yee, Helena (Note 2)	Spousal Interest	434,598,000	72.43%
Excel Score Limited (Note 1)	Beneficial Interest	306,000,000	51.00%

Notes:

1. Mr. Pong Wai San, Wilson is the ultimate beneficial owner and the sole director of Excel Score Limited. By virtue of the SFO, Mr. Pong is deemed to be interested in the 306,000,000 shares held by Excel Score Limited.
2. Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong Wai San, Wilson and accordingly deemed to be interested in the shares beneficially owned by Mr. Pong in his capacity and through his controlled corporation, Excel Score Limited, under the SFO.

Save as disclosed above, as at 30 September 2011, other than the interests of certain Directors and chief executive of the Company as disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” above, there was no person who had an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations 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.

### **DIRECTORS’ RIGHTS TO ACQUIRE SHARE OR DEBENTURES**

Apart from as disclosed under the heading “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” above, at no time during the six months ended 30 September 2011 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

### **OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY**

Pursuant to the share option scheme for employees which was adopted on 1 August 2011 (the “Share Option Scheme”), the Directors may at their discretion grant options to eligible persons 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 under the Share Option Scheme were granted, outstanding, lapsed, cancelled or exercised at any time during the six months ended 30 September 2011.

### **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed shares during the six months ended 30 September 2011.

### **DIRECTORS’ INTERESTS IN COMPETING INTERESTS**

As at the date of this report, none of the Directors, or the initial management shareholders or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed with or might compete with the business of the Group and had or might have any other conflicts of interest with the Group.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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 of the Directors, the Company has 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 2011.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the six months ended 30 September 2011.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") since May 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee currently comprises three members, namely Mr. Yip Tai Him, Ms. Yeung Wing Yan, Wendy and Mr. Lung Hung Cheuk. 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.

The unaudited consolidated results of the Group for the six months ended 30 September 2011 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## **CHANGES IN DIRECTOR'S INFORMATION**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information on Director is as follow:

Ms. Yeung Wing Yan, Wendy has completed a Juris Doctor Programme from the Chinese University of Hong Kong during the six months ended 30 September 2011.

By order of the Board  
**FlexSystem Holdings Limited**  
**Lau Wai Shu**  
Chairman

Hong Kong, 9 November 2011

*At the date of this report, the Company's executive directors are Mr. Lau Wai Shu and Mr. Sit Hon Cheong and the Company's independent non-executive directors are Mr. Lung Hung Cheuk, Ms. Yeung Wing Yan, Wendy and Mr. Yip Tai Him.*