



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 announcement, for which the directors (the “Directors”) of FlexSystem Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 2009 with the unaudited consolidated comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	20,598	26,106	39,562	49,542
Cost of sales		(8,132)	(7,647)	(14,623)	(14,699)
Gross profit		12,466	18,459	24,939	34,843
Other income		76	104	164	188
Distribution costs		(6,095)	(5,417)	(12,001)	(9,798)
Administrative expenses		(10,419)	(9,357)	(20,094)	(18,342)
Other operating expenses		(72)	(458)	(299)	(648)
(Loss)/profit before income tax		(4,044)	3,331	(7,291)	6,243
Income tax	3	–	–	–	–
(Loss)/profit for the period		<u>(4,044)</u>	<u>3,331</u>	<u>(7,291)</u>	<u>6,243</u>
Attributable to:					
Owners of the Company		(3,923)	3,110	(7,216)	6,022
Minority interests		(121)	221	(75)	221
		<u>(4,044)</u>	<u>3,331</u>	<u>(7,291)</u>	<u>6,243</u>
(Losses)/earnings per share for (loss)/profit attributable to Company's Owners during the period					
– basic and diluted (in HK cents)	4	<u>(0.65) cents</u>	<u>0.52 cents</u>	<u>(1.2) cents</u>	<u>1.00 cents</u>
Dividend		<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	<i>Notes</i>	30 September 2009 <i>HK\$'000</i> (unaudited)	31 March 2009 <i>HK\$'000</i> (audited)
Non-current assets			
Leasehold land and land use rights		11,950	12,108
Property, plant and equipment		10,803	11,602
Investments in associates		1,075	1,119
Investment in a jointly-controlled entity		–	–
Available-for-sale financial assets		515	358
Amounts due from investee companies		–	–
		24,343	25,187
Current assets			
Inventories		758	834
Trade and other receivables	5	16,418	17,552
Current income tax assets		897	663
Bank balances and cash		33,683	36,064
		51,756	55,113
Total assets		76,099	80,300
Current liabilities			
Trade and other payables	6	23,589	20,606
Current income tax liabilities		24	74
		23,613	20,680
Net current assets		28,143	34,433
Total assets less current liabilities		52,486	59,620
Non-current liabilities			
Deferred income tax liabilities		124	124
Net assets		52,362	59,496
Capital and reserves			
Share capital	7	60,000	60,000
Reserves		(8,429)	(1,370)
Capital and reserves attributable to Company's Owners		51,571	58,630
Minority interests		791	866
Total equity		52,362	59,496

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Equity attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Available- for-sale investments reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2008	60,000	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)	847	59,435
Change in fair value of available-for-sale financial assets	-	-	-	-	(131)	-	(131)	-	(131)
Total income and expense recognised directly in equity	-	-	-	-	(131)	-	(131)	-	(131)
Profit for the period	-	-	-	-	-	6,022	6,022	221	6,243
Total recognised income and expense for the period	-	-	-	-	(131)	6,022	4,479	221	6,112
Dividends	-	(3,000)	-	-	-	-	(3,000)	-	(3,000)
Balance at 30 September 2008	<u>60,000</u>	<u>77,955</u>	<u>(47,430)</u>	<u>(46)</u>	<u>(442)</u>	<u>(28,558)</u>	<u>1,479</u>	<u>1,068</u>	<u>62,547</u>
Balance at 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)	866	59,496
Change in fair value of available-for-sale financial assets	-	-	-	-	157	-	157	-	157
Total income and expense recognised directly in equity	-	-	-	-	157	-	157	-	157
Loss for the period	-	-	-	-	-	(7,216)	(7,216)	(75)	(7,291)
Balance at 30 September 2009	<u>60,000</u>	<u>77,955</u>	<u>(47,430)</u>	<u>(46)</u>	<u>(472)</u>	<u>(38,436)</u>	<u>(8,429)</u>	<u>791</u>	<u>52,362</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Six months ended 30 September 2009 <i>HK\$'000</i> (unaudited)	Six months ended 30 September 2008 <i>HK\$'000</i> (unaudited)
Net cash (used in)/from operating activities	<u>(2,220)</u>	<u>7,822</u>
Net cash used in investing activities	<u>(161)</u>	<u>(868)</u>
Net cash used in financing activities	<u>—</u>	<u>(3,000)</u>
Net (decrease)/increase in cash and cash equivalents	(2,381)	3,954
Cash and cash equivalents at beginning of the period	36,064	36,527
Effect of foreign exchange rate change, net	<u>—</u>	<u>—</u>
Cash and cash equivalents at the end of the period	<u>33,683</u>	<u>40,481</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>33,683</u>	<u>40,481</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The accounting policies used in the unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009, except for the following accounting policies newly adopted in current review period.

For the period ended 30 September 2009, the Group has not early applied the following new amendments, standards or interpretations that have been issued but are not yet effective.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ²
HKFRS 5 (Amendment)	Improvements to HKFRS ¹

Notes:

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 2009 with the unaudited consolidated figures for the corresponding period in 2008 are as follows:–

	Three months ended		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:–				
Software	12,073	15,480	21,384	29,044
Services	7,216	8,293	15,840	16,242
Other operations	1,309	2,333	2,338	4,256
	<u>20,598</u>	<u>26,106</u>	<u>39,562</u>	<u>49,542</u>

(a) Primary reporting format – business segments

As at 30 September 2009, 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 results for the six months ended 30 September 2009 are as follows:

	Software	Services	Other	Unallocated	Group
	HK\$'000	HK\$'000	operations	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	<u>21,384</u>	<u>15,840</u>	<u>2,338</u>	<u>–</u>	<u>39,562</u>
Segment results	(7,809)	3,805	(2,091)	(1,196)	(7,291)
Income tax (<i>Note 3</i>)					–
Loss for the period					<u>(7,291)</u>

The segment results for the six months ended 30 September 2008 are as follows:

	Software <i>HK\$'000</i> (unaudited)	Services <i>HK\$'000</i> (unaudited)	Other operations <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Group <i>HK\$'000</i> (unaudited)
Revenue	<u>29,044</u>	<u>16,242</u>	<u>4,256</u>	<u>–</u>	<u>49,542</u>
Segment results	2,646	5,781	(524)	(1,660)	6,243
Income tax (<i>Note 3</i>)					<u>–</u>
Profit for the period					<u>6,243</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 2009 <i>HK\$'000</i> (unaudited)	Six months ended 30 September 2008 <i>HK\$'000</i> (unaudited)
Revenue:–		
Hong Kong	31,644	40,502
PRC	4,523	4,907
Other countries	<u>3,395</u>	<u>4,133</u>
	<u>39,562</u>	<u>49,542</u>

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

3. TAXATION

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. (LOSSES)/EARNINGS PER SHARE

The Group's basic losses per share for the three months and six months ended 30 September 2009 is calculated by dividing the loss 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.

The Group's basic earnings per share for the three months and six months ended 30 September 2008 is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$3,110,000 and HK\$6,022,000 respectively by the weighted average number of 600,000,000 ordinary shares in issue during the period.

5. TRADE AND OTHER RECEIVABLES

	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
Trade receivables	13,089	14,157
Prepayments, deposits and other receivables	2,371	2,320
Advances to staff	958	1,075
	<u>16,418</u>	<u>17,552</u>

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 2009, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
0-30 days	4,383	4,635
31-60 days	1,821	1,309
61-90 days	990	1,151
91-180 days	1,312	2,766
181-365 days	2,479	2,267
Over 365 days	2,104	2,029
	<u>13,089</u>	<u>14,157</u>

6. TRADE AND OTHER PAYABLES

	30 September 2009 <i>HK\$'000</i> (unaudited)	31 March 2009 <i>HK\$'000</i> (audited)
Trade payables	1,726	1,457
Other payables and accruals	7,357	6,531
Amount due to investee companies	50	53
Deferred income	8,696	8,220
Sales deposits received	5,760	4,345
	<u>23,589</u>	<u>20,606</u>

The ageing analysis of trade payables is as follows:–

	30 September 2009 <i>HK\$'000</i> (unaudited)	31 March 2009 <i>HK\$'000</i> (audited)
0-30 days	1,394	1,246
31-60 days	244	172
61-90 days	–	–
91-180 days	60	–
181-365 days	18	29
Over 365 days	10	10
	<u>1,726</u>	<u>1,457</u>

7. SHARE CAPITAL

	Company 2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
600,000,000 ordinary shares of HK\$0.10 each	<u>60,000</u>	<u>60,000</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 30 September 2009, turnover decreased by approximately 20% to approximately HK\$39.5 million as compared with the corresponding period last period. Moreover, the Group also recorded loss attributable to shareholders amounted to approximately HK\$7,216,000.

Business review and outlook

During the period ended 30 September 2009, the Group was operating in a difficult business environment by the unfavorable market condition. The uncertainties of economic recovery have made clients holding their IT expenditure budget, resulting in the decrease of the Group's enterprise software sale.

Although the market sentiment is not good, the Group persists in deploying human resources to increase its software development productivity. Number of programming and sales staff has become stable. Upon the new staff completed training of its breakthrough software development technologies, the Group expects a variety of software application will be efficiently developed and roll out in the 2nd quarter of next fiscal year. Benefits of the significant investment on our workforce in R&D and sales departments over the recent years will be realized when the market recovers.

Financial resources and liquidity

As at 30 September 2009, the shareholders' funds of the Group amounted to approximately HK\$52 million. Current assets were approximately HK\$52 million, mainly comprising bank balances and cash of approximately HK\$34 million, inventories of approximately HK\$0.7 million and trade and other receivables of approximately HK\$16 million. Current liabilities were approximately HK\$24 million, mainly comprising trade and other payables of approximately HK\$23.5 million and taxation payable of approximately HK\$0.02 million respectively. The net asset value per share was approximately HK\$0.09. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2009, 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 2.2:1 (As at 31 March 2009: 2.7:1), reflecting the adequacy of financial resources.

Exposure to exchange rate fluctuations

During the period ended 30 September 2009, 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 2009, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

As at 30 September 2009, the Group had no material investment.

Capital commitments

As at 30 September 2009, the Group had no future plans for material investment.

Contingent liabilities

As at 30 September 2009, the Group had no material contingent liabilities.

Charges on the Group's assets

As at 30 September 2009, 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 decreased by approximately 2.4% as compared with the previous period. Moreover, the turnover of software sale has also decreased by approximately 26.4%.

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 (2008: 82%). The high percentage of the Hong Kong segment is mainly due to the fact that the Group deploys more resources on the local market.

In the PRC, the turnover has decreased by approximately 8% as compared with the previous period.

Employees and remuneration policies

As at 30 September 2009, the Group had 333 employees (2008: 284) and the total remuneration to employees, including that to the directors, for the period ended 30 September 2009 amounted to approximately HK\$31 million (2008: HK\$28 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' INTERESTS IN EQUITY AND EXECUTIVE'S INTEREST IN SECURITIES

As at 30 September 2009, 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 of the company

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

Notes:

1. Mr. Lok Wai Man, being a substantial shareholder of the Company entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company, is regarded as an initial management shareholder (as defined in the GEM Listing Rules) of the Company. Mr. So Yiu King and Mr. Chow Chi Ming, Daniel are executive directors of the Company and Mr. Leung Wai Cheung is the executive of the Company and is also considered to be initial management shareholders of the Company.
2. The 475,500,000 shares were held by SomaFlex Holdings Inc., a private company beneficially owned by Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel and Mr. Leung Wai Cheung. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holdings Inc., he is deemed, by virtue of the SFO, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc.. The indirect 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 2009.

Save as disclosed above, as at 30 September 2009, 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.

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 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the shares during the period.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, 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

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

Notes:

1. SomaFlex Holdings Inc. is beneficially owned as to 98.27% by Mr. Lok Wai Man, 0.76% by Mr. So Yiu King, 0.76% by Mr. Chow Chi Ming, Daniel and 0.21% by Mr. Leung Wai Cheung.
2. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex 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 2009, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period ended 30 September 2009. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings throughout the period ended 30 September 2009.

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 2009 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 includes 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 under review, none of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the GEM Listing Rules), has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with 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 2009.

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

Hong Kong, 10 November 2009

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.flexsystem.com.