



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8050)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

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.

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I present the result of FlexSystem Holdings Limited for the year ended 31 March 2010.

Business Review

2009/10 is one of the most challenging years for our business operations. Although uncertainties of a long period of recession were dispelled by the optimistic signs of economy recovery, the operating environment for the enterprise software industry remained difficult with intense market competition.

To consolidate FlexSystem's market position, we had been undergoing a completed upgrade of all software products. The Group's various software businesses recorded creditable performance. Our effort in developing new version of Human Resources Management System reaped returns gradually. We managed to secure a few new clients in the second half of last year and expected our HR system would gain further popularity.

One of FlexSystem's flagship products-FlexAccount Financial Management System, had already started the development of its new version. The innovative functions and enriched user experience would attract more new client and existing customer for system upgrade. The Group expected there would be the most large-scale system upgrade in this decade when the new version to be launched in 2011.

Final Dividend

The board of directors does not recommend a final dividend payment for the year ended 31 March 2010.

Outlook

The Group expects software developers in Hong Kong IT market will be under challenges in the year ahead. By expanding our product portfolio in our enterprise solution business, we believe we are well prepared for business growth as the economic conditions improve.

Finally, I would like to take this opportunity to express my thanks to all my fellow directors and staff to their continuous support and contribution.

Lok Wai Man
Chairman

Hong Kong, 23 June 2010

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the “Board”) of FlexSystem Holdings Limited (“FlexSystem” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2010, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	89,106	97,149
Cost of sales		<u>(35,276)</u>	<u>(30,879)</u>
Gross profit		53,830	66,270
Other income	4	242	531
Share of profit of an associate		105	175
Distribution costs		(25,450)	(21,577)
Administrative expenses		(40,804)	(39,483)
Other operating expenses		<u>(790)</u>	<u>(2,739)</u>
(Loss)/profit before income tax		(12,867)	3,177
Income tax	6	<u>35</u>	<u>202</u>
(Loss)/profit for the year		<u>(12,832)</u>	<u>3,379</u>
Other comprehensive income			
Changes in fair value of available-for-sale financial assets		168	(318)
Currency translation differences		<u>825</u>	<u>–</u>
Other comprehensive income/(loss) for the year, net of tax		<u>993</u>	<u>(318)</u>
Total comprehensive (loss)/income for the year		<u>(11,839)</u>	<u>3,061</u>
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(12,810)	3,360
Minority interests		<u>(22)</u>	<u>19</u>
		<u>(12,832)</u>	<u>3,379</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(11,817)	3,042
Minority interests		<u>(22)</u>	<u>19</u>
		<u>(11,839)</u>	<u>3,061</u>
(Loss)/earnings per share attributable to equity holders of the Company			
– basic and diluted	7	<u>(2.14) HK cents</u>	<u>0.56 HK cents</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Leasehold land and land use rights		11,791	12,108
Property, plant and equipment		9,954	11,602
Investments in associates		1,191	1,119
Investment in a jointly-controlled entity		–	–
Available-for-sale financial assets		526	358
Amounts due from investee companies		–	–
		<u>23,462</u>	<u>25,187</u>
Current assets			
Inventories		665	834
Trade and other receivables	9	17,804	17,552
Current income tax assets		899	663
Bank balances and cash		30,757	36,064
		<u>50,125</u>	<u>55,113</u>
Total assets		<u>73,587</u>	<u>80,300</u>
Current liabilities			
Trade and other payables	10	25,870	20,606
Current income tax liabilities		60	74
		<u>25,930</u>	<u>20,680</u>
Net current assets		<u>24,195</u>	<u>34,433</u>
Total assets less current liabilities		<u>47,657</u>	<u>59,620</u>
Non-current liabilities			
Deferred income tax liabilities		–	124
Net assets		<u>47,657</u>	<u>59,496</u>
Capital and reserves			
Share capital		60,000	60,000
Reserves		(13,187)	(1,370)
Capital and reserves attributable to equity holders of the Company		<u>46,813</u>	<u>58,630</u>
Minority interests		<u>844</u>	<u>866</u>
Total equity		<u>47,657</u>	<u>59,496</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Attributable to the equity holders 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>
As at 1 April 2008	60,000	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)	847	59,435
Comprehensive income									
Profit for the year	-	-	-	-	-	3,360	3,360	19	3,379
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	(318)	-	(318)	-	(318)
Total comprehensive income	-	-	-	-	(318)	3,360	3,042	19	3,061
Dividends paid	-	(3,000)	-	-	-	-	(3,000)	-	(3,000)
As at 31 March 2009 and 1 April 2009	60,000	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)	866	59,496
Comprehensive income									
Loss for the year	-	-	-	-	-	(12,810)	(12,810)	(22)	(12,832)
Other comprehensive income									
Changes in fair value of available-for-sale financial assets	-	-	-	-	168	-	168	-	168
Currency translation differences	-	-	-	825	-	-	825	-	825
Total comprehensive income	-	-	-	825	168	(12,810)	(11,817)	(22)	(11,839)
As at 31 March 2010	<u>60,000</u>	<u>77,955</u>	<u>(47,430)</u>	<u>779</u>	<u>(461)</u>	<u>(44,030)</u>	<u>(13,187)</u>	<u>844</u>	<u>47,657</u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATION 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 Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

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

In opinion of the directors, the parent and ultimate holding company of the Company is SomaFlex Holdings Inc., which is incorporated in the British Virgin Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the board of directors on 23 June 2010.

2. BASIS OF PREPARATION

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.

In the current year, the Group has adopted the following new, revised or amended standards as at 1 April 2009:

- HKAS 1 (revised), ‘Presentation of financial statements’ – The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

- HKFRS 7 ‘Financial instruments – Disclosures’ (amendment) – The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.
- HKFRS 8, ‘Operating segments’ – HKFRS 8 replaces HKAS 14, ‘Segment reporting’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The following revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 April 2009 but are either not relevant to the Group or have no significant impact on the Group’s consolidated financial statements:

- HKAS 23 (revised) – Borrowing costs
- HKAS 27 (amendment) – Consolidated and separate financial statements
- HKAS 32 (amendment) – Financial instruments: presentation
- HKAS 39 (amendment) – Financial instruments: Recognition and measurement
- HKFRS 2 (amendment) – Share-based payment
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives
- HK(IFRIC) – Int 13 – Customer loyalty programmes
- HK(IFRIC) – Int 15 – Agreements for the construction of real estate
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation
- HK(IFRIC) – Int 18 – Transfer of assets from customers
- First annual improvement project:
 - HKAS 1 – Presentation of financial statements
 - HKAS 16 – Property, plant and equipment
 - HKAS 19 – Employee benefits
 - HKAS 20 – Accounting for government grants and disclosure of government assistance
 - HKAS 28 – Investments in associates
 - HKAS 29 – Financial reporting in hyperinflationary economies
 - HKAS 31 – Interests in joint ventures
 - HKAS 36 – Impairment of assets
 - HKAS 38 – Intangible assets
 - HKAS 39 – Financial instruments: Recognition and measurement
 - HKAS 40 – Investment property

The following new, revised or amended standards and interpretations have been issued, but are not yet effective for the financial year beginning 1 April 2009 and have not been early adopted:

- HKAS 1 (amendment) – Presentation of financial statements¹
- HKAS 7 (amendment) – Statement of cash flows¹
- HKAS 17 (amendment) – Leases¹
- HKAS 24 (revised) – Related party disclosures⁴
- HKAS 27 (revised) – Consolidated and separate financial statements²
- HKAS 32 (amendment) – Classification of rights issue⁵
- HKAS 36 (amendment) – Impairment of assets¹
- HKAS 38 (amendment) – Intangible assets²

- HKAS 39 (amendment) – Financial instruments: recognition and measurement^{1, 2}
- HKFRS 2 (amendment) – Share-based payments^{1,2}
- HKFRS 3 (revised) – Business combination²
- HKFRS 5 (amendment) – Non-current assets held for sale and discontinued operations¹
- HKFRS 8 (amendment) – Operating segments¹
- HKFRS 9 – Financial instruments³
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives²
- HK(IFRIC) – Int 14 – Prepayments of a minimum funding requirement⁴
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation²
- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners²
- HK(IFRIC) – Int 19 – Extinguishing financial liabilities with equity instruments⁶

¹ Changes effective for annual periods beginning on or after 1 January 2010.

² Changes effective for annual periods beginning on or after 1 July 2009.

³ Changes effective for annual periods beginning on or after 1 January 2013.

⁴ Changes effective for annual periods beginning on or after 1 January 2011.

⁵ Changes effective for annual periods beginning on or after 1 February 2010.

⁶ Changes effective for annual periods beginning on or after 1 July 2010.

The Group has already commenced an assessment of the related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

3. REVENUE AND SEGMENT INFORMATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Software	41,864	56,565
Services	34,709	31,942
Other operations	12,533	8,642
	<u>89,106</u>	<u>97,149</u>

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

The Executive Directors review the Group's financial information mainly from software, services and other operation perspective. The Executive Directors further assess the performance of operations on a geographical basis (Hong Kong, PRC and other countries). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

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, investment in a jointly-controlled entity, available-for-sale financial assets, current income tax assets and other assets that are managed on a central basis. Segment liabilities mainly exclude current income tax liabilities, deferred income tax liabilities and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and non-current assets are based on the country where the assets are located.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 March 2010 is as follows:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	<u>41,864</u>	<u>34,709</u>	<u>12,533</u>	<u>–</u>	<u>89,106</u>
Reportable segment (loss)/profit	(15,948)	9,259	(3,393)	(3,132)	(13,214)
Other income					242
Share of profit of an associate					<u>105</u>
Loss before income tax					(12,867)
Income tax (<i>Note 6</i>)					<u>35</u>
Loss for the year					<u>(12,832)</u>
Depreciation of property, plant and equipment	–	–	–	1,818	1,818
Amortisation of prepaid operating lease payments	–	–	–	317	317
Addition to non-current assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>162</u>	<u>162</u>

The segment information for the year ended 31 March 2009 is as follows:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	<u>56,565</u>	<u>31,942</u>	<u>8,642</u>	<u>–</u>	<u>97,149</u>
Reportable segment profit/(loss)	911	10,136	(3,797)	(4,779)	2,471
Other income					531
Share of profit of an associate					<u>175</u>
Profit before income tax					3,177
Income tax (<i>Note 6</i>)					<u>202</u>
Profit for the year					<u>3,379</u>
Depreciation of property, plant and equipment	–	–	–	1,872	1,872
Amortisation of prepaid operating lease payments	–	–	–	317	317
Addition to non-current assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>329</u>	<u>329</u>

An analysis of the Group's assets as at 31 March 2010 by reportable segment is set out below:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>–</u>	<u>–</u>	<u>665</u>	665
Investments in associates				1,191
Available-for-sale financial assets				526
Current income tax assets				899
Unallocated assets				<u>70,306</u>
Total assets per consolidated balance sheet				<u>73,587</u>

An analysis of the Group's liabilities as at 31 March 2010 by reportable segment is set out below:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment liabilities	<u>7,272</u>	<u>8,867</u>	<u>–</u>	16,139
Current income tax liabilities				60
Unallocated liabilities				<u>9,731</u>
Total liabilities per consolidated balance sheet				<u>25,930</u>

An analysis of the Group's assets as at 31 March 2009 by reportable segment is set out below:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>–</u>	<u>–</u>	<u>834</u>	834
Investments in associates				1,119
Available-for-sale financial assets				358
Current income tax assets				663
Unallocated assets				<u>77,326</u>
Total assets per consolidated balance sheet				<u>80,300</u>

An analysis of the Group's liabilities as at 31 March 2009 by reportable segment is set out below:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment liabilities	<u>4,345</u>	<u>8,221</u>	<u>–</u>	12,566
Current income tax liabilities				74
Deferred income tax liabilities				124
Unallocated liabilities				<u>8,040</u>
Total liabilities per consolidated balance sheet				<u>20,804</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Hong Kong	71,394	76,179
PRC	9,801	10,795
Other countries	<u>7,911</u>	<u>10,175</u>
	<u>89,106</u>	<u>97,149</u>

For the year ended 31 March 2010, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue (2009: Nil).

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets		
Hong Kong	22,144	23,867
PRC	638	746
Other countries	<u>154</u>	<u>216</u>
	<u>22,936</u>	<u>24,829</u>

4. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividend income on available-for-sale financial assets	16	16
Interest income on short-term bank deposits	95	324
Others	<u>131</u>	<u>191</u>
	<u>242</u>	<u>531</u>

5. EXPENSES BY NATURE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation of property, plant and equipment	1,818	1,872
Amortisation of prepaid operating lease payments	317	317
Loss on disposal of property, plant and equipment	2	1
Cost of inventories expensed	10,493	8,855
Inventories written off	195	–
Operating lease rentals in respect of rented premises	1,713	1,448
Auditors' remuneration	350	330
Bad debts written off	357	196
Provision for impairment of trade receivables	117	1,985
Provision for impairment of amounts due from associates	92	553

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. In June 2008, the Hong Kong government enacted a change in the profits tax rate from 17.5% to 16.5% commencing from the fiscal year 2008/2009. No provision for Hong Kong profits tax has been made for the year ended 31 March 2010 as the Group had no assessable profit arising in or derived from Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	46
– Overseas taxation	89	377
– Over-provision in prior years	–	(113)
Deferred income tax	(124)	(512)
Tax credit	(35)	(202)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
(Loss)/profit before income tax	<u>(12,867)</u>	<u>3,177</u>
Tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	(2,123)	524
Income not subject to tax	(56)	(1,516)
Expenses not deductible for tax purpose	333	702
Tax losses for which no deferred income tax asset was recognised	2,598	309
Utilisation of previously unrecognised tax losses	(741)	(946)
Over-provision in prior years	-	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	95	62
Remeasurement of deferred income tax	-	(36)
Others	<u>(141)</u>	<u>812</u>
Tax credit	<u>(35)</u>	<u>(202)</u>

7. (LOSS)/EARNINGS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the year of approximately HK\$12,810,000 (2009: profit of HK\$3,360,000) by the weighted average number of 600,000,000 (2009: 600,000,000) ordinary shares in issue during the year.

There is no diluted (loss)/earnings per share since the Company has no dilutive potential ordinary shares in existence for the years ended 31 March 2010 and 2009.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor had any dividend been proposed since the balance sheet date. A final dividend in respect of the year ended 31 March 2008 of HK\$0.005 per share in a total amount of HK\$3,000,000 were approved by the Company's shareholders at the annual general meeting on 29 July 2008 and were paid during the year ended 31 March 2009.

9. TRADE AND OTHER RECEIVABLES

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	14,804	14,157
Prepayments, deposits and other receivables	2,148	2,320
Advances to staff	<u>852</u>	<u>1,075</u>
	<u>17,804</u>	<u>17,552</u>

Note:

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. As at 31 March 2010, the ageing analysis of trade receivables (net of provision for impaired receivables) is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
0 – 30 days	5,007	4,635
31 – 60 days	1,606	1,309
61 – 90 days	1,091	1,151
91 – 180 days	1,832	2,766
181 – 365 days	2,977	2,267
Over 365 days	2,291	2,029
	<hr/>	<hr/>
	14,804	14,157
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	3,294	1,457
Other payables and accruals	6,429	6,531
Amounts due to investee companies (<i>Note (b)</i>)	8	53
Deferred income	8,867	8,220
Sales deposits received	7,272	4,345
	<hr/>	<hr/>
	25,870	20,606
	<hr/> <hr/>	<hr/> <hr/>

Notes:

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

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,477	1,246
31 – 60 days	665	172
61 – 90 days	30	–
91 – 180 days	4	–
181 – 365 days	90	29
Over 365 days	28	10
	<u>3,294</u>	<u>1,457</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the year ended 31 March 2010, turnover of approximately HK\$89 million and loss attributable to shareholders of approximately HK\$13 million were recorded. The decrease in turnover of 8.3% as compared with the last corresponding year was principally due to the economic conditions pertaining to the IT industry.

Financial Resources and Liquidity

As at 31 March 2010, the shareholders' funds of the Group amounted to approximately HK\$48 million. Current assets were approximately HK\$50 million, mainly comprising bank balances and cash of approximately HK\$31 million, inventories of approximately HK\$0.7 million and trade and other receivables of approximately HK\$18 million. Current liabilities were approximately HK\$26 million, mainly comprising trade and other payables of approximately HK\$26 million and taxation payable of approximately HK\$0.06 million. The net asset value per share was approximately HK\$0.08. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 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 1.9:1 (As at 31 March 2009: 2.7:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuation

During the year ended 31 March 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 year ended 31 March 2010, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March 2010, the Group had no material investment.

Capital Commitments

As at 31 March 2010, the Group had operating lease commitments in respect of rented office premises of approximately HK\$1,743,000 (2009: HK\$3,070,000). As at 31 March 2010 and 2009, the Group had no significant capital commitment and has no future plans for material investment.

Contingent Liabilities

As at 31 March 2010 and 2009, the Group had no material contingent liabilities.

Charges On The Group's Assets

As at 31 March 2010, the Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 31 March 2010, the Group had 336 employees (2009: 319 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2010 amounted to approximately HK\$64 million (2009: HK\$59 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.

Segmental Information

Business segments

During the year under review, the turnover of maintenance services has increased by approximately 8.7% as the number of customers have increased as compared with that for the previous year. However, the turnover of software sales has decreased by approximately 26% as the operating environment for the enterprise software industry remained difficult with intense market competition.

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: 78%). 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 9% to approximately HK\$10 million as compared with the previous year.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010. However, the Group will continue to seek new business development opportunities.

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

As at 31 March 2010, the interests and short positions of the directors and 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 by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

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 are 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 interest 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 year ended 31 March 2010.

Save as disclosed above, as at 31 March 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 31 March 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:

Name of shareholder	Number of shares			Percentage of issued share capital
	Personal interests	Corporate interests	Total	
SomaFlex Holdings Inc. (<i>Note 1</i>)	Nil	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man (<i>Note 2</i>)	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, 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.
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 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..

Save as disclosed above, as at 31 March 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 by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2010, the largest and the five largest suppliers of the Group accounted for approximately 54% and 81% of the Group's total purchases respectively. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

BOARD PRACTICES AND PROCEDURES

During the year, the Company was in compliance with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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 year ended 31 March 2010. 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 year ended 31 March 2010.

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 Audit Committee meets four times a year to review with senior management and once to twice a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules(if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2010 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a 20% public float in accordance with the rule 17.38A of the GEM Listing Rules. There is a grace period of three years to comply with the public float requirement under rule 11.23 of the GEM Listing Rules by no later than 30 June 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2010, none of the directors or the initial management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

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

Hong Kong, 23 June 2010

As at date hereof, 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 GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting and on the Company's website.