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FLEXSYSTEM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTION

The Directors announce that on 1 November 2000, SomaFlex, a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Lok, a director and substantial shareholder of the Company. Pursuant to the Agreement, SomaFlex would acquire from Mr. Lok 70% equity interest in Maya Systems at a cash consideration of HK\$5 million.

The Acquisition constitutes a connected transaction for the Company under the GEM Listing Rules by virtue of the fact that Mr. Lok is a director and substantial shareholder of the Company. However, as the value of the consideration for the Acquisition falls within the de minimus rule under Rule 20.24 of the GEM Listing Rules, approval by the Shareholders to the Acquisition is not required. Further details of the Acquisition will be included in the next published annual report and accounts of the Company.

THE AGREEMENT

Date:	1 November 2000
Vendor:	Mr. Lok, a director and substantial shareholder of the Company
Purchaser:	SomaFlex, a wholly-owned subsidiary of the Company
Asset to be acquired:	350,000 shares of S\$1.00 each of Maya Systems, representing 70% of the issued share capital of Maya Systems

CONSIDERATION AND PAYMENT TERMS

The consideration for the Acquisition is HK\$5,000,000, which shall be payable in cash on completion of the Agreement.

The consideration was agreed after arm's length negotiations among the parties thereto. The consideration for the Acquisition is based on 70% of the unaudited net tangible asset of Maya Systems as at 30 September 2000 which amounts to approximately S\$1.12 million (approximately HK\$5.0 million).

The consideration for the Acquisition will be funded by net proceeds from the Company's listing in July 2000.

The Acquisition allows the Company to attain a controlling interest in Maya Systems. The Directors are of the view that the terms of the transaction are fair and reasonable and that it would be in the interest of the Group to enter into the Agreement.

COMPLETION

Completion of the Acquisition is unconditional and is expected to take place on 1 November 2000 after the condition to the Agreement is fulfilled.

INFORMATION ABOUT MAYA SYSTEMS

Maya Systems is principally engaged in the development and sale of logistics related software used for setting up internet-based direct distribution systems. The existing customers include wholesalers and warehouse operators in Singapore and Malaysia.

Maya Systems is currently owned as to 70% by Mr. Lok and 30% by third parties independent from the Group and the Directors or chief executives of the Company and any of its associates.

The audited net loss before and after taxation of Maya Systems were approximately S\$42,020 (approximately HK\$186,990) and approximately S\$42,730 (approximately HK\$190,150) respectively for the year ended 31 March 1999 while the unaudited net loss before and after taxation were approximately S\$151,920 (approximately HK\$676,040) and approximately S\$156,020 (approximately HK\$694,290) respectively for the year ended 31 March 2000. For the six months ended 30 September 2000, the unaudited loss

before and after taxation of Maya Systems amounted to S\$184,550 (approximately HK\$821,250). As at 30 September 2000, the unaudited net tangible asset of Maya Systems amounted to approximately S\$1.60 million (approximately HK\$7.12 million).

Maya Systems recently completed the development of its latest logistics related software used for setting up internet-based direct distribution systems in September 2000. The Directors believe that this software product has a potential market niche in the Asia Pacific region and can potentially contribute profit to the Group. At the time of the Group's listing in July 2000, the abovementioned software product was still under development. Under such circumstances, the Directors were of the view that there may be potential business risks and other uncertainties concerning the development of the software product involved which may affect the Group's overall performance. Thus Maya Systems was not included as part of the Group as at the time of its listing in July 2000.

REASONS FOR THE ACQUISITION

The Company is principally engaged in the development and sale of enterprise software and the ASP business in Hong Kong and the PRC.

As stated in the Company's prospectus dated 18th July 2000, it is the Company's intention to use part of its listing proceeds for acquisition of companies whose business fits into the Group's overall business strategy. The Acquisition is expected to provide future strategic benefits to the Group in terms of diversifying its existing product portfolio. In addition, since Maya Systems has already established a distribution network and customer base in Singapore and Malaysia, the Directors believe that the Acquisition would facilitate the expansion of the Group's business in the Singaporean and Malaysian markets. The Group can also enhance its research and development capabilities in Singapore given the technical expertise of the engineer team at Maya Systems.

As of the date of this announcement, the Directors are not aware of another software company which has developed a similar software product as that of Maya Systems and also has an established distribution network in Singapore and Malaysia.

CONNECTED TRANSACTION

The Acquisition constitutes a connected transaction for the Company under the GEM Listing Rules by virtue of the fact that Mr. Lok is a director

and substantial shareholder of the Company. However, as the value of the consideration for the Acquisition falls within the de minimus rule under Rule 20.24 of the GEM Listing Rules, approval by the Shareholders to the Acquisition is not required. Further details of the Acquisition will be included in the next published annual report and accounts of the Company pursuant to the reporting requirements of Rule 20.34 of the GEM Listing Rules.

DEFINITIONS

“Agreement”	the agreement dated 1 November 2000 and entered into by SomaFlex and Mr.Lok in relation to the Acquisition
“Acquisition”	the acquisition of 70% interest in Maya Systems by the Company
“Company”	FlexSystem Holdings Limited
“Directors”	the directors of the Company
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Maya Systems”	Maya Systems Consultants Pte. Ltd., a company incorporated in Singapore on 2 April 1983 principally engaged in the development and sale of logistics related software
“Mr. Lok”	Mr. Lok Wai Man, Adam, a director and substantial shareholder of the Company
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.10 each in the issued share capital of the Company
“SomaFlex”	SomaFlex International Inc., a company incorporated in the British Virgin Islands on 8 May 2000 and a wholly-owned subsidiary of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“S\$”	Singapore dollars

Exchange rate: S\$1: HK\$4.45

By Order of the Board
FlexSystem Holdings Limited
Lok Wai Man
Director and Chief Executive Officer

Hong Kong, 1 November 2000

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:— (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

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