



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2008

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 of FlexSystem Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to FlexSystem Holdings Limited. 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 (“Board”) of directors (“Directors”) 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 three months ended 30 June 2008 with the unaudited consolidated comparative figures for the corresponding period in 2007 as follows:

		Three months ended	
		30 June	
	<i>Notes</i>	2008	2007
		HK\$’000	HK\$’000
Revenue			
Cost of sales	2	23,436	23,694
		<u>(7,052)</u>	<u>(6,120)</u>
Gross profit		<u>16,384</u>	<u>17,574</u>
Other income		84	212
Distribution costs		(4,381)	(4,511)
Administrative expenses		(8,985)	(8,285)
Other operating expenses		<u>(190)</u>	<u>(1,544)</u>
Profit before income tax		2,912	3,446
Income tax	3	<u>–</u>	<u>–</u>
Profit for the period		<u>2,912</u>	<u>3,446</u>
Earnings per share for profit attributable to The equity holders of the Company during the year – basic and diluted	4	<u>0.49cent</u>	<u>0.57cent</u>
Dividends		<u>Nil</u>	<u>Nil</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRS”), which is a collective term of Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules. The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s audited financial statements set out in the annual report for the year ended 31 March 2008 except as follows. The unaudited condensed financial statements have been prepared under the historical cost basis, as explained in the accounting policies set out in the annual report for the year ended 31 March 2008.

In the current period, the Group has applied, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA. The adoption of these new HKFRSs has no material effect on how the results for the current or prior accounting year have been prepared and presented. Accordingly, no prior year adjustment has been required. The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group has commenced considering the potential impact of these new or revised HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Revised)	Revised Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

2. REVENUE

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 three months ended 30 June, 2008 with the unaudited consolidated figures for the corresponding period in 2007 are as follows:–

	Three months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Revenue		
Software	13,564	14,480
Services	7,949	6,920
Other operations	1,923	2,294
	<u>23,436</u>	<u>23,694</u>

3. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group’s entities either incurred tax losses for the respective periods. PRC income tax has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing to the enterprises in the PRC.

4. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 June 2008 is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$2,912,000 (2007: HK\$3,446,000) by the weighted average number of 600,000,000 (2007: 600,000,000) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares in existence for the respective periods.

5. RESERVES

(for the three months ended 30 June 2008)

	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 reserve <i>HK\$'000</i>
As at 1 April, 2007	83,955	(47,430)	(42)	(297)	(54,618)	(18,432)
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,446</u>	<u>3,446</u>
As at 30 June, 2007	<u>83,955</u>	<u>(47,430)</u>	<u>(42)</u>	<u>(297)</u>	<u>(51,172)</u>	<u>(14,986)</u>
As at 1 April, 2008	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)
Change in fair value of Available-for-sales financial assets	—	—	—	46	—	46
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,912</u>	<u>2,912</u>
As at 30 June, 2008	<u>80,955</u>	<u>(47,430)</u>	<u>(46)</u>	<u>(265)</u>	<u>(31,668)</u>	<u>1,546</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June, 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 30 June, 2008, turnover slightly decreased by approximately 1% to approximately HK\$23 million as compared with the corresponding period last period. Moreover, the Group also recorded profit attributable to shareholders amounted to approximately HK\$2,912,000 which was 15.5% less than the corresponding period in 2007. The reduction in profit from operations was due to the increase in the proportion of complimentary resale of computer hardware in turnover, which have a lower margin compared to other major components of turnover.

Business review and Outlook

During the first quarter of 2008, the Group experienced as expected rising inflation rate in Hong Kong. Local economic environment and high operating expenses made the Group under significant pressure for the growth of turnover and profit. The operating costs increased mainly due to higher salary expenses for continuous development of the Group. We believe the strength of human resources is important to product development and business expansion. By leveraging high-quality talents and technologies, we are developing a growing variety of web-based enterprise applications which will be launched in www.eiapp.com in the coming quarters. We expect it will open up a vista of opportunities to explore a new market of enterprise internet application.

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTEREST IN SECURITIES

As at 30th June, 2008, 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 of Hong Kong Limited (the "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 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 30 June 2008.

Save as disclosed above, as at 30 June 2008, 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 June, 2008.

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 June, 2008, the following persons (other than a director or chief executive of the Company) had an interest or short position in the 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 interests 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. (<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, 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 June, 2008, 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 FOR 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 June, 2008. 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 June, 2008.

AUDIT COMMITTEE

The audit committee has been established since May 2000. The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors, namely Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David. The unaudited consolidated results of the Group for the three months ended 30 June, 2008 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period ended 30 June, 2008, none of the directors or the initial management shareholders or substantial shareholders of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed shares during the year ended 30 June 2008.

By Order of the Board
Lok Wai Man
Chairman

Hong Kong, 11 August 2008

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.