



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31ST DECEMBER, 2008

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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.

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER, 2008

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 nine months ended 31 December, 2008 with the unaudited consolidated comparative figures for the corresponding period in 2007 as follows:

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	2	26,478	26,505	76,020	75,174
Cost of sales		<u>(7,261)</u>	<u>(6,245)</u>	<u>(21,960)</u>	<u>(18,689)</u>
Gross profit		<u>19,217</u>	<u>20,260</u>	<u>54,060</u>	<u>56,485</u>
Other income		182	259	370	547
Distribution costs		(5,482)	(4,823)	(15,281)	(14,003)
Administrative expenses		(11,147)	(9,369)	(29,490)	(27,575)
Other operating expenses		<u>(649)</u>	<u>(688)</u>	<u>(1,296)</u>	<u>(2,684)</u>
Profit before income tax		2,121	5,639	8,363	12,770
Income tax	3	<u>(638)</u>	<u>(478)</u>	<u>(638)</u>	<u>(478)</u>
Profit for the period		<u>1,483</u>	<u>5,161</u>	<u>7,725</u>	<u>12,292</u>
Attributable to:					
Equity holders of the Company		1,694	5,161	7,716	12,292
Minority interests		<u>(211)</u>	<u>–</u>	<u>9</u>	<u>–</u>
		<u>1,483</u>	<u>5,161</u>	<u>7,725</u>	<u>12,292</u>
Earnings per share for profit attributable to The equity holders of the Company during the period – basic (in HK cents)	4	<u>0.28 cents</u>	<u>0.86 cents</u>	<u>1.29 cents</u>	<u>2.05 cents</u>
Dividends		<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2008 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 2008, except for the following accounting policies newly adopted in current review period.

For the period ended 31 December 2008, the Group has not early applied the following new amendments, standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ³
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Item ³
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK (IFRIC) – Int 12	Service Concession Arrangements ⁴
HK (IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to owners ³

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendment to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for annual periods beginning on or after 1 January 2008
- ⁵ Effective for annual periods beginning on or after 1 July 2008
- ⁶ Effective for annual periods beginning on or after 1 October 2008

The Directors anticipate that the application of these new amendments, standards or interpretations will have no material impact on the results and the financial position of the Group.

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 nine months ended 31 December 2008 with the unaudited consolidated figures for the corresponding period in 2007 are as follows:–

	Three months ended		Nine months ended	
	31 December, 2008	2007	31 December, 2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Software	16,446	16,091	45,490	45,064
Services	7,988	7,369	24,230	22,129
Other operations	2,044	3,045	6,300	7,981
	<u>26,478</u>	<u>26,505</u>	<u>76,020</u>	<u>75,174</u>

3. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. 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 Group's basic earnings per share for the three months and nine months ended 31 December 2008 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK\$1,694,000 and HK\$7,716,000 respectively, and 600,000,000 Shares in issue during the period.

The calculation of the Group's basic earnings per share for the three months and nine months ended 31 December 2007 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK\$5,161,000 and HK\$12,292,000 respectively, and 600,000,000 Shares in issue.

5. RESERVES

(for the nine months ended 31 December 2008)

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2007	83,955	(47,430)	(42)	(297)	(54,618)	(18,432)
Profit for the period	—	—	—	—	12,292	12,292
Total recognized income and expenses for the period	—	—	—	—	(42,326)	(6,140)
Dividends	(3,000)	—	—	—	—	(3,000)
Balance at 31 December 2007	<u>80,955</u>	<u>(47,430)</u>	<u>(42)</u>	<u>(297)</u>	<u>(42,326)</u>	<u>(9,140)</u>
Balance at 1 April 2008	80,955	(47,430)	(46)	(311)	(34,580)	(1,412)
Change in fair value of available-for-sales financial assets	—	—	—	(311)	—	(311)
Total income and expenses recognized directly in equity	—	—	—	(311)	—	(311)
Profit for the period	—	—	—	—	7,716	7,716
Total recognized income and expenses for the period	—	—	—	(311)	(26,864)	5,993
Dividends	(3,000)	—	—	—	—	(3,000)
Balance at 31 December 2008	<u>77,955</u>	<u>(47,430)</u>	<u>(46)</u>	<u>(622)</u>	<u>(26,864)</u>	<u>2,993</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2008 (nine months ended 31 December 2007: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 31 December 2008, turnover slightly increased by approximately 1% to approximately HK\$76 million as compared with the corresponding period last period. Moreover, the Group also recorded profit attributable to shareholders amounted to approximately HK\$7,716,000 which was 37% less than the corresponding period 2007.

Business review and Outlook

The deteriorating business climate and the diminishing IT expenditure continued to make the Group under great pressure for maintaining the sales revenue. The number of new sales contract has been decreased during the period under reviewed. On the other hand, the Group continues employing more new staff for better human resources allocation and expansion. We believe our employee is one of the important assets which will bring forth improved software products and innovative technologies, in order to develop a new series of top-notch enterprise management solutions to our new and potential customers when the market is recovered.

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTEREST IN SECURITIES

As at 31 December 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	Personal interests	Number of shares		Percentage of issued share capital
		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 December 2008.

Save as disclosed above, as at 31 December 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 31 December 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 31 December 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

	Personal interests	Number of shares Corporate interests	Total	Percentage of issued share Capital
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 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 December 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 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 31 December 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 31 December 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 nine months ended 31 December 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 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 year ended 31 December 2008.

By order of the Board
Lok Wai Man
Chairman

Hong Kong, 11 February 2009

As at the date of this announcement, the board of directors of the Company comprises Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel as executive directors and Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David as independent non-executive directors.

This announcement will remain on the GEM website on the “Latest Company Announcements” page and the Company’s website for 7 days from the date of its posting.