



FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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 three months ended 30 June 2009 with the unaudited consolidated comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended	
		30 June	
	<i>Notes</i>	2009	2008
		HK\$'000	HK\$'000
Revenue			
Cost of sales	2	18,964	23,436
		<u>(6,491)</u>	<u>(7,052)</u>
Gross profit		<u>12,473</u>	<u>16,384</u>
Other income		87	84
Distribution costs		(5,906)	(4,381)
Administrative expenses		(9,674)	(8,985)
Other operating expenses		<u>(227)</u>	<u>(190)</u>
(Loss)/Profit before income tax		(3,247)	2,912
Income tax	3	<u>–</u>	<u>–</u>
(Loss)/Profit for the period		<u>(3,247)</u>	<u>2,912</u>
Attributable to:			
Equity holders of the Company		(3,293)	2,912
Minority interests		<u>46</u>	<u>–</u>
		<u>(3,247)</u>	<u>2,912</u>
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the period – basic and diluted	4	<u>(0.55) HK cents</u>	<u>0.49 HK cents</u>
Dividend		<u>Nil</u>	<u>Nil</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 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 June 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

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

	Three months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
Revenue		
Software	9,311	13,564
Services	8,625	7,949
Other operations	1,028	1,923
	<u>18,964</u>	<u>23,436</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.

No provision for overseas income tax has been made in the results as the Group has no assessable profits for the periods.

4. (LOSS)/EARNINGS PER SHARE

The Group’s basic (loss)/earnings per share for the three months ended 30 June 2009 is calculated by dividing the loss attributable to equity holders of the Company of approximately HK\$3,293,000 (2008: profit of HK\$2,912,000) by the weighted average number of 600,000,000 (2008: 600,000,000) ordinary shares in issue during the period.

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 2009)

	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Available- for sale investments reserve HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000
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	-	-	-	-	2,912	2,912
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>
As at 1 April 2009	77,955	(47,430)	(46)	(629)	(31,220)	(1,370)
Change in fair value of available-for-sales financial assets	-	-	-	111	-	111
Loss for the period	-	-	-	-	(3,293)	(3,293)
As at 30 June 2009	<u>77,955</u>	<u>(47,430)</u>	<u>(46)</u>	<u>(518)</u>	<u>(34,513)</u>	<u>(4,552)</u>

DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 30 June 2009, turnover decreased by approximately 19% to approximately HK\$19 million as compared with the corresponding period last period. Moreover, the Group also recorded the loss attributable to shareholders amounted to approximately HK\$3,293,000 which was 213% less than the corresponding period in 2008. The loss for the period was principally due to the increase of operating expenditures and the reduction in profit resulted from the market sentiment pertaining to the IT industry.

Business review and Outlook

During the period ended 30 June 2009, the Group was operating in a difficult business environment by the prolonged recession. The uncertainties of economic recovery have made clients holding investment of their IT project, which exert great pressure on the Group's enterprise software business.

Despite the difficult market condition, the Group is nevertheless seeking for advantages to expand its software development capabilities. The Group has actively recruited programming and sales staff for developing and promoting its new software products. Productivity of research and development team is significantly increased by our breakthrough software development technologies. A variety of software applications is efficiently and effectively developed to suit for different industry requirements. The Group is confident that the strong software development capabilities bring forth the advantages of software industrialization in these challenging times.

In the coming quarters, the Group expects software developers will still be under challenges and severe competition. To maintain its competitive edge in the tough business environment, the Group will continue allocating resource in software development and will always be ready when the economy recovers.

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVE'S INTEREST IN SECURITIES

As at 30 June 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 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 period ended 30 June 2009.

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

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 three months ended 30 June 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.

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 June 2009.

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

Hong Kong, 11 August 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.