



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050



Third Quarterly Report 2007/2008

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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 31ST DECEMBER, 2007

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 31st December, 2007 with the unaudited consolidated comparative figures for the corresponding period in 2006 as follows:

	Notes	Three months ended		Nine months ended	
		31st December, 2007	2006	31st December, 2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	<u>26,505</u>	19,342	<u>75,174</u>	58,420
Cost of Sales		<u>(6,245)</u>	(6,365)	<u>(18,689)</u>	(15,507)
Gross profit		<u>20,260</u>	12,977	<u>56,485</u>	42,913
Operating profit		<u>6,146</u>	864	<u>13,877</u>	4,472
Provision for amount due from investee companies		<u>(16)</u>	–	<u>(24)</u>	(43)
Share of (loss) of an associated company		<u>(491)</u>	(305)	<u>(1,083)</u>	(795)
Profit before taxation		<u>5,639</u>	559	<u>12,770</u>	3,634
Taxation	3	<u>(478)</u>	(93)	<u>(478)</u>	(158)
Net profit for the period		<u><u>5,161</u></u>	<u>466</u>	<u><u>12,292</u></u>	<u>3,476</u>
Attributable to:					
Equity holders of the Company		<u>5,161</u>	515	<u>12,292</u>	3,392
Minority interests		<u>–</u>	(49)	<u>–</u>	84
		<u><u>5,161</u></u>	<u>(466)</u>	<u><u>12,292</u></u>	<u>3,476</u>
Earnings per share – Basic	4	<u><u>0.86 cent</u></u>	<u>0.09 cent</u>	<u><u>2.05 cent</u></u>	<u>0.57 cent</u>
Dividend per share		<u><u>Nil</u></u>	<u>Nil</u>	<u><u>Nil</u></u>	<u>Nil</u>

Notes:

1. Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with the disclosure requirements of the GEM Listing Rules. The accounting policies adopted in preparing the unaudited consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31st March 2007.

2. Turnover

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 31st December, 2007 with the unaudited consolidated figures for the corresponding period in 2006 are as follows:—

	Three months ended		Nine months ended	
	31st December,		31st December,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sale and lease of application software	16,091	11,099	45,064	34,616
Maintenance services	7,369	6,128	22,129	19,125
Sale of hardware	3,045	2,115	7,981	4,679
	26,505	19,342	75,174	58,420

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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. Earning per share

The calculation of the Group's basic earnings per share for the three months and nine months ended 31st 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 during the period.

The calculation of the Group's basic earnings per share for the three months and nine months ended 31st December 2006 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK\$515,000 and HK\$3,392,000 respectively, and 600,000,000 Shares in issue.

5. Reserves

(for the nine months ended 31st December 2007)

	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Available- for-sale financial assets reevaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st April, 2006	83,955	(47,430)	(44)	(193)	(60,340)	(24,052)
Changes in fair value of available-for-sale financial asset	-	-	-	(142)	-	(142)
Profit for the period	-	-	-	-	3,392	3,392
As at 31st December, 2006	<u>83,955</u>	<u>(47,430)</u>	<u>(44)</u>	<u>(335)</u>	<u>(56,948)</u>	<u>(20,802)</u>
Representing:						
31st March, 2007 after Proposed final dividend	80,955					
2007 final dividend proposed	3,000					
	<u>83,955</u>					
As at 1st April, 2007	83,955	(47,430)	(42)	(297)	(54,618)	(18,432)
2007 final dividend paid	(3,000)	-	-	-	-	(3,000)
Profit for the period	-	-	-	-	12,292	12,292
As at 31st December, 2007	<u>80,955</u>	<u>(47,430)</u>	<u>(42)</u>	<u>(297)</u>	<u>(42,326)</u>	<u>(9,140)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December, 2007 (nine months ended 31st December, 2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial review

During the period ended 31st December, 2007, turnover increased by approximately 28% to approximately HK\$75 million as compared with the corresponding period last period. Moreover, the Group also recorded profit attributable to shareholders amounted to approximately HK\$12,292,000 due to the contribution from the increment of turnover.

Business review and Outlook

The Group maintained steady growth in revenue as local economy grew. The buoyant economy gave us more business opportunities and potential revenue, however it also led to a rise in inflation and operating costs. The Group is able to offset the rise by leveraging the resources spent in technologies research on enterprise software architecture over recent years. We believe our long term investment in technology research and development would be rewarded with the capability of building high quality and robust product to meet today's ever-changing business requirements.

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTEREST IN SECURITIES

As at 31st December, 2007, 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

	Number of shares		Total
	Personal interests	Corporate interests	
Mr. Lok Wai Man (<i>Note 1</i>)	3,798,000	475,500,000 (<i>Note 2</i>)	479,298,000
Mr. So Yiu King (<i>Note 1</i>)	2,000	3,600,000 (<i>Note 2</i>)	3,602,000
Mr. Chow Chi Ming, Daniel (<i>Note 1</i>)	2,000	3,600,000 (<i>Note 2</i>)	3,602,000
Mr. Leung Wai Cheung (<i>Note 1</i>)	Nil	1,000,000 (<i>Note 2</i>)	1,000,000

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, 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 shareholding in SomaFlex Holdings Inc..

Save as disclosed above, as at 31st December, 2007, none of the directors or their associates as well as the chief executive of the Group 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 under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 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 15th 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 31st December, 2007.

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 31st December, 2007, 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 31st December, 2007, 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 31st December, 2007. 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 31st December, 2007.

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 31st December, 2007 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 31st December, 2007, 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.

By order of the Board

Lok Wai Man

Chairman

Hong Kong, 12th February, 2008

As at the date of this report, 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.