



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8076)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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This announcement, for which the directors of Sing Lee Software (Group) Limited collectively and individually accept full 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 for the purpose of giving information with regard to Sing Lee Software (Group) 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.

** For identification purposes only*

The board of Directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006, as follows:

UNAUDITED COMBINED STATEMENT OF INCOME

	<i>Note</i>	Three months ended		Six months ended	
		30 June		30 June	
		2007	2006	2007	2006
		<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	2	7,018	2,910	11,614	7,641
Cost of sales		(4,924)	(1,676)	(6,944)	(4,931)
Gross profit/(loss)		2,094	1,234	4,670	2,710
Distribution costs		(1,114)	(1,102)	(2,171)	(1,882)
General and administrative expenses		(2,345)	(3,081)	(3,885)	(5,681)
Other operating income	3	291	356	300	632
Profit/(Loss) from operations		(1,074)	(2,593)	(1,086)	(4,221)
Finance costs		(376)	(346)	(760)	(593)
Profit/(Loss) before tax	4	(1,450)	(2,939)	(1,846)	(4,814)
Taxation	5	(230)	(19)	(361)	(165)
Profit/(Loss) after tax		(1,680)	(2,958)	(2,207)	(4,979)
Minority interests		—	—	—	—
Profit/(Loss) attributable to shareholders		(1,680)	(2,958)	(2,207)	(4,979)
Earnings/(Loss) per share					
- Basic	6	Rmb(0.28) cents	Rmb(0.49) cents	Rmb(0.37) cents	Rmb(0.83) cents
- Diluted	6	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEETS

		(Unaudited) As at 30 June 2007 <i>Rmb'000</i>	(Audited) As at 31 December 2006 <i>Rmb'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Intangible assets		5,120	4,595
Property, plant and equipment, net		915	1,021
Goodwill		—	—
		6,035	5,616
Current assets			
Inventories		7,111	7,718
Trade receivables	8	8,353	5,876
Deposits, prepayments and other receivables		996	2,028
Cash and cash equivalents		2,606	5,922
		19,066	21,544
LIABILITIES			
Current liabilities			
Trade payables	9	4,989	3,932
Accruals and other payables		5,712	5,079
Customers' deposits		546	637
Amount due to ultimate holding company	11	13	14
Tax payable		—	—
Deferred income		1,109	2,665
Amount due to a related company	11	5,137	5,266
Amount due to directors		2,572	2,537
Interest bearing borrowings		5,085	4,481
Short term bank loans		16,375	16,834
		41,538	41,445
Net current liabilities		(22,472)	(19,901)
Total assets less current liabilities		(16,437)	(14,285)
Non-current liabilities			
Loans and borrowings		—	(268)
Net (liabilities) / assets		(16,437)	(14,553)
CAPITAL AND RESERVES			
Share capital		6,271	6,271
Reserves		(22,708)	(20,824)
Shareholders' fund		(16,437)	(14,553)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>(Unaudited)</i> <i>Rmb'000</i>	Share premium <i>(Unaudited)</i> <i>Rmb'000</i>	Revenue reserve <i>(Unaudited)</i> <i>Rmb'000</i>	Cumulative translation adjustment <i>(Unaudited)</i> <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) <i>(Unaudited)</i> <i>Rmb'000</i>	Total <i>(Unaudited)</i> <i>Rmb'000</i>
As at 1 January 2007	6,271	58,148	3,613	1,830	(84,415)	(14,553)
Exchange difference on translation of financial statements of foreign entities	—	—	—	323	—	323
Loss for six months ended 30 June 2007	—	—	—	—	(2,207)	(2,207)
As at 30 June 2007	6,271	58,148	3,613	2,153	(86,622)	(16,437)
	Share capital <i>(Unaudited)</i> <i>Rmb'000</i>	Share premium <i>(Unaudited)</i> <i>Rmb'000</i>	Revenue reserve <i>(Unaudited)</i> <i>Rmb'000</i>	Cumulative translation adjustment <i>(Unaudited)</i> <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) <i>(Unaudited)</i> <i>Rmb'000</i>	Total <i>(Unaudited)</i> <i>Rmb'000</i>
As at 1 January 2006	6,271	58,148	3,613	1,531	(68,264)	1,299
Exchange difference on translation of financial statements of foreign entities	—	—	—	—	—	—
Loss for six months ended 30 June 2006	—	—	—	—	(4,979)	(4,979)
As at 30 June 2006	6,271	58,148	3,613	1,531	(73,243)	(3,680)

UNAUDITED CONDENSED COMBINED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash outflow from operating activities	(3,240)	(4,662)
Net cash inflow/(outflow) from investing activities	12	(233)
Net cash (outflow)/inflow from financing activities	(88)	18,706
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(3,316)	13,811
Cash and cash equivalents at beginning of period	5,922	(12,365)
Effect of foreign exchange differences	—	—
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>2,606</u>	<u>1,446</u>
	<hr/>	<hr/>
Analysis of balances of Cash and Cash equivalents:		
Cash and bank deposits	2,606	1,446
	<hr/>	<hr/>
	<u>2,606</u>	<u>1,446</u>
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The results have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM.

The Group principally operates in the People’s Republic of China (the “PRC”) and its business activities are principally transacted in Renminbi (“Rmb”), the results are prepared in Rmb.

All significant intra-group transactions and balances have been eliminated on consolidation.

The principal accounting policies and methods of computation adopted for the preparation of the interim financial statements are same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31 December 2006.

2. Turnover

Turnover represents revenue from sale of computer software and hardware, and maintenance and other services income. Turnover comprises the following:

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>Rmb’000</i>	2006 <i>Rmb’000</i>	2007 <i>Rmb’000</i>	2006 <i>Rmb’000</i>
Sales of software	4,159	2,066	7,803	6,452
Sales of hardware	677	711	1,398	945
Maintenance and other services income	2,182	133	2,413	244
	<u>7,018</u>	<u>2,910</u>	<u>11,614</u>	<u>7,641</u>

3. Other operating income

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>Rmb’000</i>	2006 <i>Rmb’000</i>	2007 <i>Rmb’000</i>	2006 <i>Rmb’000</i>
Others	139	350	139	623
Interest income	3	6	12	9
Value added tax refund	149	—	149	—
	<u>291</u>	<u>356</u>	<u>300</u>	<u>632</u>

Pursuant to document Caishui [2000] No. 25 issued by State Tax Bureau, effective from 24 June 2000, for companies engaged in the development and distribution of software, their revenues from sale of software are subject to value added tax with applicable tax rate of 17% and are entitled to refund of value added tax paid exceeding 3% of the revenues. The value added tax refund of the Group has been accounted for as other operating income.

4. Profit/(Loss) before tax

Profit/(Loss) before tax was determined after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2007 Rmb'000	2006 Rmb'000	2007 Rmb'000	2006 Rmb'000
Amortisation of intangible assets	—	38	—	77
Depreciation of property, plant & equipment	175	(112)	110	445
Provision for (written back of) doubtful receivables	—	—	—	—
Bank interest	414	329	744	587
Provision for absolutes inventories	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

5. Taxation

	Three months ended 30 June		Six months ended 30 June	
	2007 Rmb'000	2006 Rmb'000	2007 Rmb'000	2006 Rmb'000
Business tax (<i>Note a</i>)	230	19	361	165
	<u>230</u>	<u>19</u>	<u>361</u>	<u>165</u>

Hong Kong profits tax has not been provided as the Group had no income assessable for profits tax in Hong Kong for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

There was no significant unprovided deferred taxation for the reported periods.

Note:

(a) Tax paid in respect to business operation and interest income of PRC source.

6. Earning/(Loss) per share

The calculation of the Group's basic earning/(loss) per share for the three months and six months ended 30 June 2007 is based on the Group's unaudited combined loss attributable to shareholders of approximately Rmb1,680,000 and loss attributable to shareholders of approximately Rmb2,207,000 (three months and six months ended 30 June 2006: loss attributable to shareholders of approximately Rmb2,958,000 and loss attributable to shareholders of approximately Rmb4,979,000 respectively) divided by the weighted average number of ordinary shares outstanding for three months and six months ended 30 June 2007 of 603,000,000 shares (three and six months ended 30 June 2006: 603,000,000 shares) in issue respectively.

Diluted loss per share has not been presented as the exercise of share options would have an anti-dilutive effect during the three and six months ended 30 June 2007, as well as 30 June 2006.

No diluted earnings per share has been presented for the three and six months ended 30 June 2007 because the computation of diluted earnings per share does not assume the exercise of share options as the exercise price of the Company's outstanding share options was higher than the average market price of the shares in the Company and the exercise of share options of the Company has an anti-dilutive effect.

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (for the six months ended 30 June 2006: Nil).

8. Trade receivables

An aging analysis of trade receivables, net of impairment losses for bad and doubtful debts, is as follows:

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Within 90 days	6,583	5,119
Over 90 days but within 180 days	928	541
Over 180 days but within 365 days	489	216
Above 365 days	353	—
	<u>8,353</u>	<u>5,876</u>

The normal credit period granted by the Group is on average 60 to 90 days from the date of invoice.

9. Trade payables

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Within 90 days	2,785	1,389
Over 90 days but within 180 days	16	1,370
Over 180 days but within 365 days	913	—
Above 365 days	1,275	1,173
	<u>4,989</u>	<u>3,932</u>

10. Commitments

As of 30 June 2007, the Group did not have any significant authorised or contracted capital commitments (31 December 2006: Nil).

11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group had the following significant related party transactions during the periods under review:

		(Unaudited)	
		Six months ended	
		30 June	
	<i>Note</i>	2007	2006
		Rmb'000	Rmb'000
Continuing transactions:			
Rental paid to Sing Lee Pharmaceutical Import & Export Co. Limited for lease of office premises	(i)	<u>160</u>	<u>132</u>
		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2007	2006
	<i>Note</i>	Rmb'000	Rmb'000
Due to Goldcorp Industrial Limited	(ii)	(13)	(14)
Due to Sing Lee International Trading Limited	(iii)	<u>(5,137)</u>	<u>(5,477)</u>
		<u>(5,150)</u>	<u>(5,491)</u>

Notes:

- (i) Sing Lee Pharmaceutical Import & Export Co. Limited is a limited company incorporated in Hong Kong. Mr. Hung Yung Lai has 50% interest in this Company and he is also a director of this Company. Mr. Hung is the executive director of the Group.
- (ii) Goldcorp Industrial Limited is the holding company of the Company. Mr. Hung Yung Lai, who has 50% interest in this Company, is also an executive director of the Group.
- (iii) Sing Lee International Trading Limited is a limited company incorporated in Hong Kong. Mr. Hung Yung Lai, who has 50% interest in this Company, is also an executive director of the Group.
- (iv) The above related party transactions were carried out in the normal course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the six months ended 30 June 2007, the Group recorded a total turnover of approximately Rmb11,614,000, representing an increase of 52% as compared to the same period of last year (for the six months ended 30 June 2006: Turnover amounted to approximately Rmb7,641,000). This shows that financial performance of the Group has some improvement as compared with last year.

Although the Group still recorded a loss attributable to shareholders of approximately Rmb2,207,000 for the two quarters, it has decreased significantly as compared to the same period of last year (for the six months ended 30 June 2006: loss attributable to shareholders amounted to approximately Rmb4,979,000). This loss decrease can mainly be attributable to successful cost control over the past months.

With our continuing strengthen efforts to cost control and the fact that peak season of software purchase normally takes place in the second half of the year, we are confident that the results for the coming quarters will be further improved.

BUSINESS REVIEW

Banking Business

The procurement of the POS terminal by banks has already commenced, which will generate more sales revenue for the Group.

The sales of the upgraded versions of the POS-MIS system have been excellent. This has driven the sales of hardware, with a gradual increase in the market share.

The Group has successfully entered into contracts with customers on the second phase of the implementation and maintenance of the “Capital Trading System” project and the extension of the software licences, and has already started up with the projects. The Group is negotiating with other customers about the commencement and upgrade of the second phase of the projects.

The Group is proceeding with comprehensive marketing of the EagleEye information platform protection system in various branches of banks, and is working with cooperation partners to negotiate with head offices of large commercial banks about solutions. Apart from the banking business, the Group has also cooperated with partners in various aspects in other industries, and is undergoing commercial negotiations in certain projects.

Education Business

The Group has joined hands with banks to market the Bank-college Express Charging Administration System to universities and colleges and will work with cooperation partners to expand the market share.

FUTURE PROSPECT

Banks has started bidding for the procurement of the POS terminal. The Group will actively participate in the bidding. As for the EagleEye monitoring product, the Group will work with international cooperation partners, with the first cooperating project expected to commence in the third quarter. The “Capital Trading System” has two new customers, one of which has entered into contract and the other under commercial negotiation. The third quarter is the peak season of sales for the Bank-college Express Charging Administration System, during which the Group will strengthen marketing efforts to generate revenue.

Following the development direction of the two major projects and the two major products, the Group will implement its monitoring policy to further reduce costs and strengthen sales efforts, thereby ensuring the achievement of its objectives for the whole year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 30 June 2007, the Group had bank borrowings of approximately Rmb16,375,000 (31 December 2006: approximately Rmb18,834,000), all represented short term-bank loans repayable within one year with interest bearing at 2.5% over the HIBOR rate.

No interest was capitalized by the Group during the period under review (31 December 2006: Nil).

As at 30 June 2007, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately Rmb2,606,000.

The gearing ratio of the Group, based on total liabilities over total assets, as at 30 June 2007, was approximately 165% (31 December 2006: 153%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the period under review.

SEGMENTAL INFORMATION

No segmental information is presented for the Group as the Group conducts its business within one geographical and business segment.

EMPLOYEE INFORMATION

As at 30 June 2007, the Group had 87 employees, including both PRC and Hong Kong employees. Remuneration and bonus policy are primarily determined by the performance of the individual employees and financial results of the Group. Total staff costs for the reported period were approximately Rmb3.489 million (30 June 2006: approximately Rmb3.6 million).

The Group has adopted a share option scheme whereby certain employees of the Group granted options to acquire shares.

CHARGE ON GROUP ASSETS

As at 30 June 2007, the Group did not have any charges on Group assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Details of the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30 August 2001 under the sections headed "Statement of Business Objectives" and "Reasons for the New Issue and Use of Proceeds" respectively.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in Renminbi. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any material contingent liabilities (31 December 2006: nil).

PROSPECTS OF NEW PRODUCTS

Please refer to the Business Review in the section of Management Discussion and analysis for a discussion on this.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2007, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly, or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder shareholding	Capacity/ Nature of interest	Number of shares held		Percentage of
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial interest	306,000,000 <i>(note 1)</i>	—	50.7%
Great Song Enterprises Limited	Corporate interest	306,000,000 <i>(notes 1 and 2)</i>	—	50.7%
Mr. Hung Yung Lai	Corporate interest	306,000,000 <i>(notes 2 and 4)</i>	—	50.7%
Ms. Li Kei Ling	Corporate interest	306,000,000 <i>(notes 2 and 3)</i>	—	50.7%
Mdm. Iu Pun	Family interest	306,000,000 <i>(note 5)</i>	—	50.7%

Notes:

1. Goldcorp Industrial Limited is a company incorporated in the British Virgin Islands equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms Li Kei Ling.
2. The Shares were held by Goldcorp Industrial Limited.
3. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Ms. Li Kei Ling is deemed, by virtue of the SFO, to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited.
4. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai is deemed, by virtue of the SFO, to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited.
5. These shares are beneficially owned by Goldcorp Industrial Limited as mentioned in Note 4 of above. Mr. Hung Yung Lai is deemed to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited. Mdm. Iu Pun is the wife of Mr. Hung Yung Lai and is deemed to be interested in these shares in which Mr. Hung Yung Lai is deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2007, the directors or chief executives of the Company were not aware of any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any other substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2007, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register required to be kept by the Company, pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Shares in the Company:

Name of directors shareholding	Capacity/ Nature of interest	Number of shares held		Percentage of
		Long position	Short position	
Mr. Hung Yung Lai	Corporate interest	306,000,000 (note 1)	—	50.7%

Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited (note 2)		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Personal interest	1	—	50.7%

Notes:

1. The Shares were held by Goldcorp Industrial Limited. Mr. Hung Yung Lai has 50% interest in Goldcorp Industrial Limited.
2. The entire issued capital of Goldcorp Industrial Limited as of 30 June 2007 composed of 2 ordinary shares. Goldcorp Industrial Limited held 306,000,000 Shares in the Company.

SHARE OPTION SCHEME

Pursuant to the share option scheme (the “Scheme”) adopted on 27 August 2001, the Directors may at their discretion grant options to employees (including Directors of the Company) of the Group and other persons who, in the sole discretion of the board of the Directors, have contributed to the Group (“Participants”). The Scheme enables the Company to grant share options to Participants as incentives or rewards for their contribution to the Group. The Scheme would be valid and effective for a period of ten years commencing on the adoption date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. After the listing of the shares on GEM, the total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the shares in issue upon completion of placing, capitalisation issue and say other shares to be issued upon the exercise of the over-allotment option in connection with the listing of the shares on GEM. According to the Scheme, the total number of shares available for issue as at 30 June 2007 is 60,300,000 shares.

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12 months period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

The subscription shall be a price determined by the board of directors at its absolute discretion and shall not be less than the higher of the closing price of the share on the date of grant of the option and the average closing price of the shares for the five business days immediately preceding the date of grant of the option.

Options granted shall be deemed to be accepted upon receipt of the acceptance of offer letter from the grantee within 28 days from the offer date, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period notified by the board to each grantee but may not be exercised after the expiry of 10 years from the date of grant.

On 8 April 2002 the Company granted 60,230,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.614 per share to 163 employees (including three executive directors) of the Group. Shares of the Company were at closing price HK\$0.58 immediately before the day on which options were granted.

On 1 June 2004 the Company granted 10,000,000 options to subscribe for shares in the Company under the scheme at an exercise price of HK\$0.14 per share to 2 chief executives of the Group. Shares of the Company were at closing price HK\$0.14 immediately before the day on which options were granted.

The summary details of options granted are as follows:

Name of directors and employees	Exercise period	Number of share options outstanding as at 1 January 2007	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options outstanding as at 30 June 2007
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	–	–	–	–	3,180,000
Continuous contract employees (other than directors)	7 September 2002 to 7 April 2012	3,790,000	–	–	(120,000)	–	3,670,000
		<u>6,970,000</u>	<u>–</u>	<u>–</u>	<u>(120,000)</u>	<u>–</u>	<u>6,850,000</u>

The directors consider it inappropriate to value the options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and misleading. Therefore the directors believe that the cost for disclosing the value of options do not justify for the benefits it provides.

Save as disclosed above, as at 30 June 2007, none of the directors, chief executives, or their respective associates had any interest or short position in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept 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 listed issuers as referred to in Rules 5.46 to 5.66 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2007.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) has an interest in a business, which competes or may compete with the businesses of the Group.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2007 the Company has complied with requirements set out in the Code on Corporate Governance Practices (“CG code”) contained in Appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2007, the Company has complied with the GEM Listing Rules 5.48 to 5.67 (where applicable) concerning the securities transactions by Director. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001 with written terms of reference in compliance with the requirements of Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group and to provide advice and comments to the Board. The members of the Group’s audit committee are as follows:

Name	Position in the audit committee	Position in the Board of Directors
Mr. Pao Ping Wing	Chairman	Independent Non-Executive Director
Mr. Tam Kwok Hang	Member	Independent Non-Executive Director
Mr. Lo King Man	Member	Independent Non-Executive Director

The audit committee has reviewed and commented in the Company’s interim report for the six months ended 30 June 2007.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 10 August 2007

As the date of this announcement, the Board Comprises of:

Hung Yung Lai (*Executive Director*)
Cui Jian (*Executive Director*)
Xu Shu Yi (*Executive Director*)
Pao Ping Wing (*Independent Non-Executive Director*)
Tam Kwok Hing (*Independent Non-Executive Director*)
Lo King Man (*Independent Non-Executive Director*)

This announcement will remain on the “Latest Company Announcements” page on the GEM website for at least 7 days from the date of its publication.