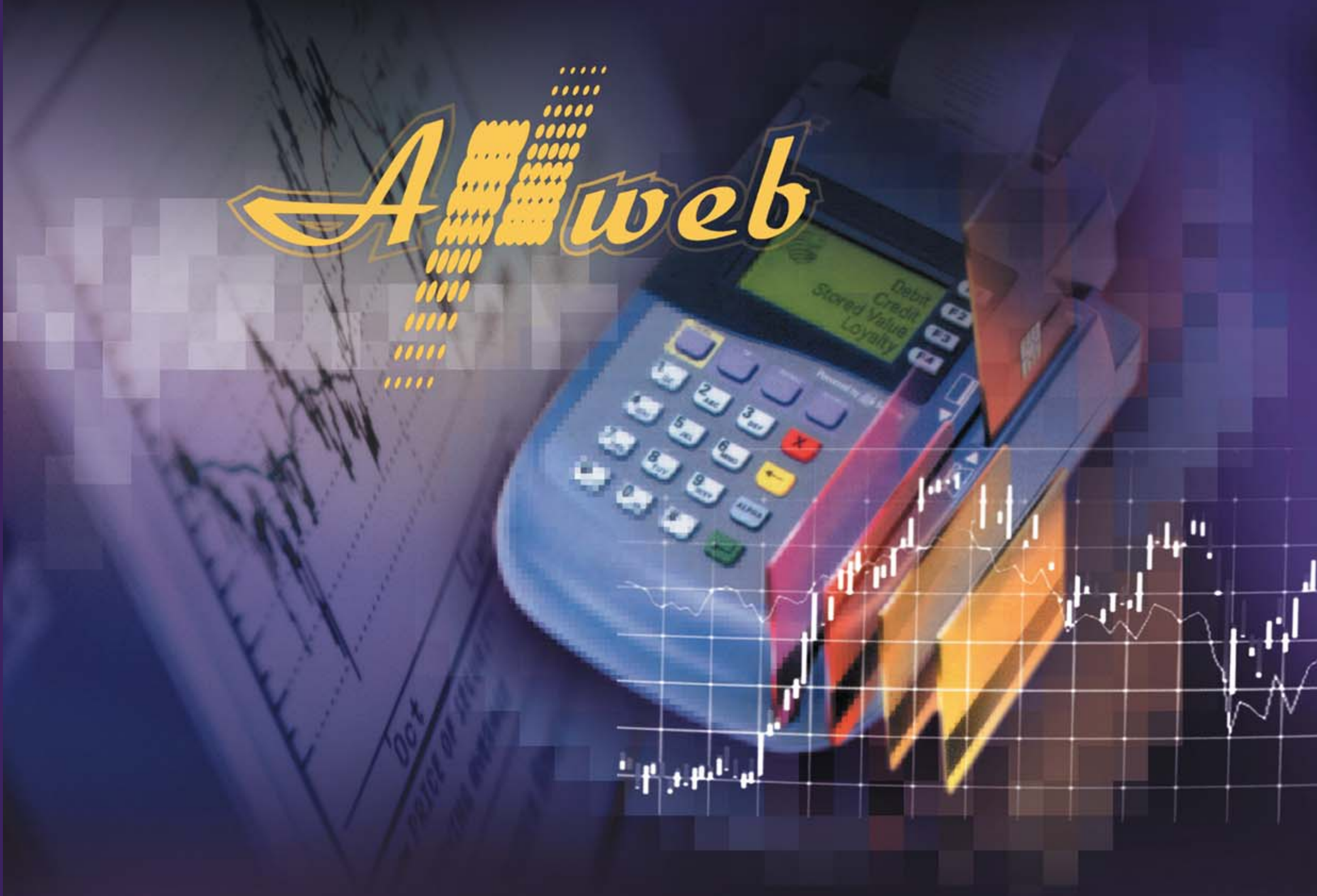
SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8076)



Annual Report 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This annual report, for which the directors of Sing Lee Software (Group) Limited (the "Company") 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 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

	Pages
Corporate information	2
Chairman's statement	3
Management discussion and Analysis	5
Biographical information of directors and Senior Management	8
Report of the directors	10
Corporate governance report	17
Independent auditor's report	21
Consolidated income statement	23
Balance sheets	24
Consolidated statement of changes in equity	25
Consolidated cash flow statement	26
Notes to the financial statements	28

Corporate information

EXECUTIVE DIRECTORS
Hung Yung Lai *(Chairman)*
Cui Jian
Xu Shu Yi
Wong Chi Shun (resigned on 6 March 2006)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Pao Ping Wing
Tam Kwok Hing
Lo King Man

COMPANY SECRETARY
Lee Wing Cheung, CPA, ACCA
(resigned on 18 November 2006)
Tsang Wai Sheung, CPA
(appointed on 18 November 2006 &
resigned on 16 February 2007)
Lee Yuk Sau, CPA, ACCA
(appointed on 16 February 2007)

QUALIFIED ACCOUNTANT
Lee Wing Cheung, CPA, ACCA
(resigned on 18 November 2006)
Tsang Wai Sheung, CPA
(appointed on 18 November 2006 &
resigned on 16 February 2007)
Lee Yuk Sau, CPA, ACCA
(appointed on 16 February 2007)

COMPLIANCE OFFICER
Hung Yung Lai

AUTHORISED REPRESENTATIVES
Hung Yung Lai

AUDIT COMMITTEE
Pao Ping Wing *(Chairman)*
Tam Kwok Hing
Lo King Man

AUDITORS
CCIF CPA Limited
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS
Industrial and Commercial Bank of China (Asia) Ltd.
Bank of China (Hong Kong) Limited
Bank of China, Hangzhou Branch
Industrial and Commercial Bank of China,
Zhejiang Branch.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
32nd Floor, Morrison Plaza
5-9A, Morrison Hill Road
Wanchai
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
The Bank of Bermuda Limited
6 Front Street
Hamilton, HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Abacus Share Registrars Limited
Level 25, Three Pacific Place
1 Queen’s Road East
Hong Kong

GEM STOCK CODE
8076

Chairman's statement

On behalf of the Board of Directors of Sing Lee Software (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I would like to present herewith the 2006 Annual Report of the Group.

BUSINESS REVIEW AND ANALYSIS

2006 was the third year of the Group to undergo strategic conversion. The two major projects and the two major products have commenced the experimental project in the two major economic provinces, Shandong and Zhejiang. Following the experiment, it has been proved that the Group has pursued a completely correct direction in its conversion, which will generate long-term and stable income for customers and the Group. Through practice over the past year, the management of various levels, the technology research and development team and all staff have made significant progress in the aspects of team spirit, technical level and business capability.

Banking Business

Driven by the new business following the conversion, the POS terminal and the upgraded versions of POS-MIS system have seen a breakthrough in the sales amount to a certain extent, with a considerable increase in the market share. The Group continued to top the industry in market share in the PRC in the core banking business of bank capital risk control products. This high degree of difficulty business has also created a high-quality technical team and market brand for the Group. For the EagleEye monitoring product, the Group and a reputable international company have entered into the intention for strategic cooperation. The market prospects and sales level of this product will be significantly enhanced. The Group will continue to step up its efforts in sales and implementation in this market segment so as to increase the profitability of the Group.

Securities Business

The stock market in China has begun to recover. The demand from securities dealers has also increased. The Group is endeavoring to join hands with major customers to seek for new core business products, in particular, to significantly enhance risk control and safety assurance amidst an upsurge in the trading volume of the securities business. Given its in-depth understanding of the securities business in the PRC and its services and customer relationship, the Group believes that there will be a new point of business growth.

Education Business

For the education business, the Group successfully developed the centralization and general versions of Bank-college Express Charging Administration System and other bank-campus products during the year with an increase in sales. Focused efforts will be made to market these products to more universities and institutes of higher learning in the next two years. A large strategic project jointly developed by the Group and one of the most famous universities in the PRC has passed the acceptance check. It is anticipated that these new projects and products will generate long-term and stable income for the Group in the next couple of years.

Chairman's statement

FUTURE OUTLOOK

The Group continues to step up its devotion and marketing efforts in products of risk control and information management categories on the core banking business. With a maturing technical team, this product of the Group will maintain its leading position in the PRC markat in the coming year. As for the strategic upgrading of the EagleEye monitoring product, the Group has entered into strategic partnership with a world-renowned provider of mainstream products; The group has commenced formulation of a comprehensive and seamless integration solution and to market the solution to the large bank customers. It is predicted that the Group can derive considerable effectiveness from the market in the next two years. Besides, the Group has commenced the experimental project for the two strategic projects. The success of these two projects will significantly increase the stable income from the Group's cash flow and its long-term growth. The Group has been paying close attention to the IT development trend and needs of the international and domestic financial markets and will persist in the guiding principle of: conducting the market survey three years in advance; proceeding with technology research and development two years in advance; entering the market six months in advance so as to ensure that new products of the Group can be launched to the market on a sustained basis.

During the conversion period, the Group has strengthened its efforts in research and development for large projects and these projects are unlikely to bring returns to the Group until the following year. The Group believes that this time difference between investment and return is in line with market rules and the Group will only suffer a loss temporarily. Driven by new products following the conversion, the sales revenue of the Group increased by 90% during the year. This demonstrates that the prospects and market potential for the Group's conversion are clear.

The Group will continue to step up its efforts in implementing the plan for increasing income and reducing cost. As for the risk monitoring rules, the Group has made further improvement and increased the actual effectiveness.

Acknowledgement

On behalf of the Board, I would like to express my gratitude to all the shareholders who have been rendering their support to the Group, and all the staff have been so dedicated and have been working so hard. In addition, I would also like to express my sincere thanks to the customers, cooperation partners, suppliers and bankers for their confidence and trust in the Group.

Hung Yung Lai
Chairman

14 May 2007

FINANCIAL REVIEW

The Group is principally engaged in the development and sales of information and network technologies and services to the financial industry in the People's Republic of China (the "PRC").

For the year ended 31 December 2006 ("the financial year"), the Group recorded a total turnover of approximately RMB21,377,000, representing an increase of 90% as compared to last year (last year turnover were approximately RMB11,276,000).

Turnover of the Group comprises of:

	Turnover	
	2006	2005
	RMB'000	RMB'000
Sales of software	**6,986**	5,253
Sales of hardware	**6,121**	2,950
Maintenace income	**8,270**	3,073
	21,377	11,276

Although the Group still recorded a loss attributable to shareholders of approximately RMB16,151,000 for the financial year, a significant decrease in loss of 57% as compared to last year (net loss for last year was approximately RMB37,221,000). Increase in turnover is one of the factors leading to the loss decrease. The loss decrease should also be attributable to successful cost control for the financial year.

We will continue trying our best to increase sales and strengthen our cost control. With the products of our group become more mature in the market and the effective cost control, we expect that financial results of the group will be further improved in the coming year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2006, the Group's bank loans amounted to approximately RMB17 million (2005: Nil) bear interest at rates of 6.4% to 8% per annum.

No interest was capitalized by the Group during the year (2005: nil).

As at 31 December 2006, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB6.0 million.

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2006 was approximately 154% (2005: 97%).

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 year.

SEGMENTAL INFORMATION

Saved as disclosed on note 4 of the notes to the financal statements, no segmental information is presented for the Group as the Group conducts its business within one geographical and business segment.

EMPLOYEE INFORMATION

As at 31 December 2006, the Group had 94 employees, including both the PRC and Hong Kong employees. Remuneration and bonus policy are basically determined by the performance of the individual employees and financial results of the Group. Total staff costs for the year amounted to approximately RMB9.3 million.

The Group adopted a share option scheme, details of which were set out in the Report of the Directors.

CHARGE ON GROUP ASSETS

As at 31 December 2006, 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 RMB. The directors consider the impact of foreign exchange exposure to the Group is minimal.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group did not have any material contingent liabilities (2005: nil).

PROSPECTS OF NEW PRODUCTS

Please refer to the Chairman's Statement for a discussion on this.

FIVE YEARS FINANCIAL SUMMARY OF THE GROUP

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**21,377**	11,276	40,303	37,848	62,853
(Loss) / Profit attributable to shareholders	**(16,151)**	(37,221)	(2,346)	(31,667)	(10,313)
Total assets	**27,160**	41,894	66,873	80,559	117,729
Total liabilities	**(41,713)**	(40,595)	(28,631)	(39,970)	(45,456)
Net (liabilities)/assets	**(14,553)**	1,299	38,242	40,589	72,273

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2006 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	60%
— five largest suppliers combined	97%
Sales	
— the largest customer	18%
— five largest customers combined	38%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

Biographical information of directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hung, Yung Lai, aged 62, the Chairman of our Group and the director of Strategic Development Committee. Mr. Hung, who graduated from Shanghai Conservatory of Music, is also among the founders of the Group. He is in possession of more than 22 years' company management and strategy programming experience and 10 years' successful experience in managing high-tech companies; hence he is familiar with the China business management and marketing planning. Mr. Hung is now in charge of the Group's macro-strategy and the enterprise's development.

Mr. Cui, Jian, aged 53, a Director and Vice Chairman of our Group. Mr. Cui is one of the founders of Hangzhou Singlee Software Co., Ltd. and has been working for our Group since its founding in 1993. Mr. Cui is responsible for the investment programming of the Group. Before joining the Group, he used to work for China Hangzhou Automatization Research Institute and Hangzhou Huayuan Computer Application Research Institute as director and president of their Developing Departments.

Mr. Xu, Shu Yi, aged 42, a Director of our Group. Mr. Xu acquired professional accountant qualification in 1995 in China. Mr. Xu has over 22 years' company financing and executive director's experience in various industries like real estate developing, hotel industry and food-manufacturing industry. He is now taking charge of the Group's financial strategy and planning of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITING COMMITTEE

Mr. Pao, Ping Wing, aged 59, an independent non-executive director of the Group and Chairman of the Auditing Committee. Mr. Pao was named independent non-executive director of Oriental Press Group Ltd. in 1987 and was nominated Peace Gentleman in Hong Kong in the same year. Mr. Pao used to work for three public listed companies in Hong Kong as their independent non-executive director, which provide him with abundant experience of over 19 years concerning this position.

Mr. Tam, Kwok Hing, aged 59, an independent non-executive director of the Group, is the fellow member of the Association of Chartered Certified Accountants (U.K.) and the Hong Kong Institute of Certified Public Accountants. He was the founding partner of Wongs & Tam, Certified Public Accountants, a public accounting firm in Hong Kong, set up in 1973 and is now a consultant of the accounting firm.

Mr. Lo, King Man, aged 69, an independent non-executive director of the Group. Mr. Lo began his career in academic administration at the University of Hong Kong and became deputy director of the former Hong Kong Polytechnic in 1986. He was also appointed director of the Hong Kong Academy for performing arts in 1993. Mr. Lo is the Peace Gentleman in Hong Kong, and he has an extensive record of public service. He has also served on the governing or executive bodies of numerous educational and cultural organizations. He was appointed an independent non-executive director of Chow Sang Sang Holding Int'l Ltd. in September 1994. Mr. Lo is currently the Principal of Administration of the Canton International Summer Music Academy. He also serves as a consultant to Henderson Land on the West Kowloon Cultural District Development project.

SENIOR MANAGEMENT

Mr. Chang, Loong Cheong, aged 60, is the Senior Consultant of the Group. Prior to joining the Group in April 2004, he was responsible for the sales and management, etc in certain listed companies. Regarding to the trading and business networks in the PRC, he has distinct and professional knowledge and experiences. After his joining, with respect of his experiences and strategies in the PRC, he has important contribution to the market development of the new products.

SENIOR MANAGEMENT *(Cont'd)*

Mr. Chan, Kam Fai, aged 45, is the Chief Executive Officer of the Group. He holds a B.Sc (Hons) Degree in Computing and Information Systems from London Metropolitan University. Prior to joining the Group, he has over 17 years of experience in sales, marketing and administration management. He is now responsible for the overall management of the Group.

Ms. Lee, Yuk Sau, aged 31, is the Accountant and the Company Secretary of the Group. She is a Hong Kong Certified Public Accountant and the member of the Association of Chartered Certified Accountants. Prior to joining the Group in February 2007, she has accumulated over 7 years of accounting experience. She is now responsible for accounting and company secretarial duties.

Mr. Qiu, Lei, aged 36, is the General Manager of Hangzhou Singlee Technology Co., Ltd. He graduated from School of Machano-Electronic Engineering of Xidian University. Before joining the Group in 1996, Mr. Qiu was employed in China Zhenhua Group. Mr.Qiu had occupied the sales director of Singlee Software (Zhuhai) Co., Ltd. and the commercial director of Hangzhou Singlee Technology Co., Ltd. etc, with rich experiences in financial industry.

Mr. Shen, *Dan,* aged 36, who got a master degree from Institute of Industry & Commerce, and a bachelor's degree on engineer in Zhejiang University, is General Manager of Hangzhou Singlee Software Co., Ltd. Mr. Shen once worked as Market Chief Supervisor, Product Manager & Deputy General Manager in the Group's Concentrating System Development Division, specialized in products program of IT industry and development strategy of enterprises. Mr.Shen once worked in the 36th Electronics Institute of Info-Tech Industry Ministry and UTStarcom Cooperation.

Mr. Qin, Yongguo, aged 35, who got a bachelor's degree on Computer Scientific, is Assistant General Manager of Hangzhou Singlee Technology Co., Ltd. Mr. Qin once worked in Yokogawa Electric Corporation, and entered the Group in 1998. After joining the Group, he has been the Region Manager and Vice Director of Technology Department, and won plenty of Securities and financial area experience, etc.

Report of the directors

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of information and network technologies and services to the financial industry in the PRC.

The principal activities of the subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 23.

The directors of the Company do not recommend the payment of dividend.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, share premium of the Company is distributable to the shareholders. At 31 December 2006, the company had no reserve available for distribution to equity of the company. (2005: RMB34,783,000)

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 2006, 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	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage of shareholding
Goldcorp Industrial Limited	Beneficial interest	306,000,000 *(note 1)*	—	50.7%
Great Song Enterprises Limited	Corporate interest	306,000,000 *(notes 1 and 2)*	—	50.7%
Mr. Hung Yung Lai	Corporate interest	306,000,000 *(notes 2 and 4)*	—	50.7%
Ms. Li Kei Ling	Corporate interest	306,000,000 *(notes 2 and 3)*	—	50.7%
Mdm Iu Pun	Family interest	306,000,000 *(note 5)*	—	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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES *(Cont'd)*

Save as disclosed above, as at 31 December 2006, 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 31 December 2006, 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:

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

Shares in associated corporation:

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES *(Cont'd)*

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 31 December 2006 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 is 60,300,000 shares which represents 10% of the issued share capital of the Company at the date of this annual report.

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.

SHARE OPTION SCHEME *(Cont'd)*

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 2006	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options outstanding as at 31 December 2006
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	7,650,000	—	—	3,860,000	—	3,790,000
		10,830,000	—	—	3,860,000	—	6,970,000

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.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, as at 31 December 2006, 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 do 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.

MANAGEMENT SHAREHOLDERS

Save for the directors, management shareholders and substantial shareholders as herein disclosed, the directors are not aware of any persons who as at 31 December 2006 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

DIRECTORS

The directors of the Company for the period from 1 January 2006 to the date of this report were:

Executive Directors
Hung Yung Lai *(Chairman)*
Cui Jian
Xu Shu Yi
Wong Chi Shun (resigned on 6 March 2006)

Independent Non-Executive Directors
Pao Ping Wing
Tam Kwok Hing
Lo King Man

In accordance with Article 87 of the Company's Bye-Laws, Cui Jian & Tam Kwok Hing, will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of 3 years from their appointment dates.

Each of the independent non-executive directors was appointed for a period of two years commencing from their appointment dates.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed on note 29 of the notes to the financial statements, no contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company or a controlling shareholder or any of its subsidiaries, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Save as disclosed in note 29 of the notes to the financial statements, the connected transactions are exempted from the reporting, announcement and shareholders' approval requirement pursuant to the GEM Listing Rule 20.23.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITORS

The financial statements for the year ended 31 December 2006 were audited by CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hung Yung Lai
Chairman

Hong Kong, 14 May 2007

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG code") contained in Appendix 15 of the GEM listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in GEM Listing Rules 5.48 to 5.67. 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.

BOARD OF DIRECTORS

The board of directors of the Company comprises :

Executive Directors	:	Hung Yung Lai
	:	Cui Jian
	:	Xu Shu Yi
	:	Wong Chi Shun (resigned on 6 March 2006)
Independent Non-executive Directors	:	Pao Ping Wing
	:	Tam Kwok Hing
	:	Lo King Man

BOARD OF DIRECTORS *(Cont'd)*

During the year, four full board meetings were held and the attendance of each director is set out as follows :

Name of director	Number of Board meetings attended in 2006	Attendance rate
Hung Yung Lai	4/4	100%
Cui Jian	3/4	75%
Xu Shu Yi	4/4	100%
Wong Chi Shun	0/4	0%
Pao Ping Wing	3/4	75%
Tam Kwok Hing	4/4	100%
Lo King Man	4/4	100%

The board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The directors are also responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period. Although the Group had net liabilities as at 31 December 2006, the Board does not foresee any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Hung Yung Lai and Mr. Chan Kam Fai respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive directors were appointed for a period of two years commencing from their appointment dates. The Company has received annual confirmation of independence from the three Independent Non-executive Directors in accordance with rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the GEM Listing Rules.

REMUNERATION OF DIRECTORS

The Remuneration Committee was formed in November 2005 to review the overall remuneration of Directors. One meeting was held and attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Hung Yung Lai, Chairman	1/1	100%
Pao Ping Wing	1/1	100%
Tam Kwok Hing	1/1	100%
Lo King Man	1/1	100%

At the meeting held, remuneration of directors for the Company was reviewed and discussed.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, CCIF CPA Limited, is set out as follows:

Services rendered	Fees paid/payable *HKD'000*
Audit services	500
Non audit services i.e. taxation	0
	500

INTERNAL CONTROL

The Company has conducted a review on the effectiveness and adequacy of the Group's internal control system during the year. The Company convened meetings periodically to discuss financial, operational and compliance controls and risk management functions . The Directors are of the view that the key areas of the Group's internal control system are reasonably implemented with rooms for improvement. The Group will use its endeavor to implement changes in order to further improve the Group's internal control system.

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001, with terms of reference in compliance with the requirements as set out in 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 Audit Committee of the Company comprises three Independent Non-executive Directors. Four meetings were held during the year and the attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Mr. Pao Ping Wing	3/4	75%
Mr. Tam Kwok Hing	4/4	100%
Mr. Lo King Man	4/4	100%

During the meetings held, financial results of the Company was reviewed and discussed.

Independent auditor's report

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

Independent auditor's report to the shareholders of
Sing Lee Software (Group) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sing Lee Software (Group) Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 23 to 78, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

Scope limitation – Prior year's audit scope limitation affecting opening balances

As detailed in our report dated 24 March 2006, we disclaimed our opinion on the Group's financial statements for the year ended 31 December 2005 because of the significance of the possible effects of the limitation in evidence made available to us that, in particular, we were unable to obtain sufficient and appropriate evidence to satisfy ourselves as to whether intangible assets and inventories were fairly stated and free from material misstatement. Any adjustments found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on (i) the net assets of the Company and the Group as at 31 December 2005, and (ii) the Group's loss and cash flows for the current year and the prior year and the related disclosures thereof in the financial statements. In respect of the limitation of scope in prior year in the areas as described above, we are unable to express our opinion as to whether the balances brought forward as at 1 January 2006 and the comparative figures were fairly stated in the financial statements.

QUALIFICATIONS ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the opening balances of intangible assets and inventories, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2006, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2(a) to the financial statements which indicates that the Group incurred consolidated loss of approximately RMB16,151,000 during the year ended 31 December 2006. As of that date, the Company reported net current liabilities of approximately RMB14,863,000 and net liabilities of approximately RMB15,125,000, and the Group reported consolidated net current liabilities of approximately RMB19,901,000 and net liabilities of approximately RMB14,553,000. These conditions, along with other matters as set forth in note 2(a), indicate the existence of a material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 14 May 2007

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated income statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	Note	**2006**	2005
		RMB'000	*RMB'000*
Revenue	5	**21,377**	11,276
Cost of sales		**(17,290)**	(15,238)
Gross profit/(loss)		**4,087**	(3,962)
Other operating income/(loss)	6	**1,240**	4,029
Distribution costs		**(4,506)**	(15,067)
Administrative expenses		**(14,509)**	(18,474)
Impairment loss on intangible assets		**(1,192)**	(2,938)
Loss from operations		**(14,880)**	(36,412)
Net finance costs	7	**(1,271)**	(809)
Loss before taxation	8	**(16,151)**	(37,221)
Taxation	9(a)	**—**	—
Loss for the year attributable to equity holders of the Company	12	**(16,151)**	(37,221)
		RMB (cents)	RMB (cents)
Loss per share	13		
Basic		**2.68**	6.17
Diluted		**N/A**	N/A

The notes on pages 28 to 78 form part of these financial statements.

Balance sheets

As at 31 December 2006
(Expressed in Renminbi)

		The Group		The Company	
	Note	**2006**	2005	**2006**	2005
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current assets					
Property, plant and equipment	14	**1,021**	2,992	**6**	24
Intangible assets	15	**4,595**	6,119	**—**	—
Investments in subsidiaries	16	**—**	—	**—**	—
		5,616	9,111	**6**	24
Current assets					
Inventories	17	**7,718**	18,005	**7,318**	11,966
Trade and other receivables	18	**7,904**	12,273	**6,592**	57,009
Cash and cash equivalents	19	**5,922**	2,505	**123**	1
		21,544	32,783	**14,033**	68,976
Current liabilities					
Bank overdraft	19	**—**	5,586	**—**	5,586
Loan and borrowings	20	**21,315**	1,785	**19,315**	1,785
Trade and other payables	21	**17,465**	31,873	**9,581**	20,575
Deferred income	22	**2,665**	1,351	**—**	—
		(41,445)	(40,595)	**(28,896)**	(27,946)
Net current (liabilities)/assets		**(19,901)**	(7,812)	**(14,863)**	41,030
Total assets less current liabilities		**(14,285)**	1,299	**(14,857)**	41,054
Non-current liabilities					
Loans and borrowings	20	**(268)**	—	**(268)**	—
Net (liabilities)/assets		**(14,553)**	1,299	**(15,125)**	41,054
Capital and reserves					
Share capital	23	**6,271**	6,271	**6,271**	6,271
Reserves	24	**(20,824)**	(4,972)	**(21,396)**	34,783
(Capital deficiency)/total equity		**(14,553)**	1,299	**(15,125)**	41,054

Approved and authorised for issue by the Board of Directors on 14 May 2007

Hung Yung Lai
Chairman

Xu Shu Yi
Director

The notes on pages 28 to 78 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2006
(Expressed in Renminbi)

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Statutory surplus reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2005	6,392	59,267	3,613	13	(31,043)	38,242
Exchange difference on translation of financial statements of foreign entities	(121)	(1,119)	—	1,518	—	278
Loss for the year	—	—	—	—	(37,221)	(37,221)
At 31 December 2005 and 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	—	—	—	299	—	299
Loss for the year	—	—	—	—	(16,151)	(16,151)
At 31 December 2006	6,271	58,148	3,613	1,830	(84,415)	(14,553)

The notes on pages 28 to 78 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	2006	2005
	RMB'000	*RMB'000*
Cash flows from operating activities:		
Loss before taxation	**(16,151)**	(37,221)
Adjustments for:		
(Gain)/loss on disposal of property, plant and equipment	**(26)**	326
Depreciation	**1,914**	2,662
Amortisation of intangible assets	**332**	903
Impairment loss on intangible assets	**1,192**	2,938
Net finance costs	**1,271**	809
Impairment loss on trade and other receivables	**2,372**	—
Operating loss before changes in working capital	**(9,096)**	(29,583)
Decrease/(increase) in inventories	**9,827**	(8,460)
Decrease in trade and other receivables	**1,672**	21,561
(Decrease)/increase in trade and other payables	**(13,810)**	4,153
Increase in deferred income	**1,314**	1,207
Net cash used in operating activities	**(10,093)**	(11,122)
Cash flows from investing activities		
Interest received	**15**	17
Proceeds from sale of property, plant and equipment	**124**	53
Acquisition of property, plant and equipment	**(42)**	(402)
Development expenditure	**—**	(726)
Net cash generated from/(used in) investing activities	**97**	(1,058)

Consolidated cash flow statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	Note	**2006**	2005
		RMB'000	*RMB'000*
Cash flows from financing activities			
Proceeds from loans and borrowings		**22,417**	1,785
Repayment of loan and borrowings		**(2,550)**	—
Increase in amount due to a related company		**—**	2,297
Increase in amounts due to directors		**204**	8
Interest paid		**(1,286)**	(826)
Net cash generated from financing activities		**18,785**	3,264
Net increase/(decrease) in cash and cash equivalents		**8,789**	(8,916)
Cash and cash equivalents at 1 January		**(3,081)**	5,557
Effect of exchange rate fluctuations on cash held		**214**	278
Cash and cash equivalents at 31 December	19	**5,922**	(3,081)

The notes on pages 28 to 78 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2006
(Expressed in Renminbi)

1. REPORTING ENTITY

Sing Lee Software (Group) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 27 October 2000 under the Companies Act 1981 of Bermuda and its shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is principally engaged in the businesses of development, manufacture and sale of software products, sale of related hardware products and the provision of software-related technical support services.

2. BASIS OF PREPARATION

a) Material uncertainties relating to the going concern basis

The Group sustained consolidated loss attributable to equity holders of the Company of approximately RMB16,151,000 for the year ended 31 December 2006. At 31 December 2006, the Group had consolidated net current liabilities of approximately RMB19,901,000 and net liabilities of approximately RMB14,553,000. At 31 December 2006, the Company had net current liabilities of approximately RMB14,863,000 and net liabilities of approximately RMB15,125,000.

The directors are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations in full as and when they fall due. In view of the liquidity problems faced by the Company and the Group, the directors have adopted the following measures with a view to improve the Company's and the Group's overall financial and cash flow position and to maintain the Company's and the Group's existence on a going concern basis:

(i) Attainment of profitable and positive cash flow operations

The directors continue to implement cost control measures over overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

(ii) Ongoing financial support by the controlling shareholder of the Company

Mr. Hung Yung Lai, a director and controlling shareholder of the Company, has undertaken to the Company to provide continuous financial support to the Company and the Group so as to enable the Company and the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Company and the Group.

2. BASIS OF PREPARATION *(Cont'd)*

a) Material uncertainties relating to the going concern basis *(Cont'd)*

(iii) Additional external funding

The directors are considering various alternatives to strengthen the capital base of the Company and the Group through various fund raising exercises.

In the opinion of the directors, in light of the measures taken to date, together with expected results of other measures in progress, the Company and the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, and it is reasonable to expect the Company and the Group to return to a commercially viable going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Company's and the Group's financial and liquidity position as at 31 December 2006.

Should the Company and the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

d) Functional and presentation currency

These consolidated financial statements are presented in Renminbi, which is the Group's functional currency. All financial information presented in Renminbi has been rounded to the nearest thousand.

e) Use of estimate and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 33.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 3(i)).

c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 3(i)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

c) Property, plant and equipment *(Cont'd)*

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in income statement as incurred.

(iii) Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. The estimated useful lives of property, plant and equipment are two to five years.

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in income statement. Goodwill is measured at cost less accumulated impairment losses (see note 3(i)).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development, and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in income statement when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and impairment losses (see note 3(i)).

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation (see below) and accumulated impairment losses (see note 3(i)).

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in income statement when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

e) Intangible assets *(Cont'd)*

(v) Amortisation

Amortisation is recognised in income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

capitalised development costs	3 - 5 years
software	5 years

Amortisation method and useful life of the intangible assets are reviewed periodically to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from the intangible assets.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated based on the weight average costing methods, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(i)).

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in income statement.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 3(f)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

j) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, the revenue is recognised on the following bases:

(i) Goods sold

Revenue from the sale of software and hardware is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, and value added or other sales tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards very depending on the individual terms of the contract of sale. Transfer usually occurs when the product is received at the customer's premises.

(ii) Services

Revenue from provision for maintenance and other services is initially recognised as deferred income and is amortised in income statement on a straight line basis over the term of the service period.

l) Other operating income

(i) Value added tax refunds

Value added tax refunds are recognised when the acknowledgement of refunds from the tax bureau has been received.

(ii) Government grants

Government grants are recognised where there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in income statement on a systematic basis in the same periods in which the expenses are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

m) Lease payments

Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Maximum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

n) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in income statement when they are due.

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains that are recognised in income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses that are recognised in income statement. All borrowing costs are recognised in income statement using the effective interest method.

p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

r) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in income statement.

(ii) Foreign operations

The assets and liabilities of for foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Renminbi at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Renminbi at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Renminbi at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, its financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised directly in the exchange reserve within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is transferred to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group.

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

t) Earnings/loss per share

The Group presents basic and diluted earnings/loss per share data for its ordinary shares. Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings/loss per share is determined by adjusting the earnings/loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

u) Borrowing costs

Borrowing costs are expensed as incurred as part of finance costs, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepared the qualifying asset for its intended use or sale are interrupted or complete.

v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include item directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period. Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

w) New and revised IFRSs and IFRIC interpretations

The Group has adopted the following new and revised IFRSs and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect or give rise to additional disclosures on these financial statements.

- IAS 19 Amendment – Employee Benefits;
- IAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates;
- IAS 39 Amendments – Financial Instruments: Recognition and Measurement;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

The principle effects of these changes are as follows:

i) IAS 19 Employee Benefits

As of 1 January 2006, the Group adopted the amendments to IAS 19, which requires entities who participate in defined benefits plans to make additional disclosures providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. As the Company and its subsidiaries participate in statutory defined contribution retirement plans in their respective jurisdiction, this change did not have any effect on the financial statements.

ii) IAS 21 The Effects of Changes in Foreign Exchange Rates

As of 1 January 2006, the Group adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change did not have any effect on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

w) New and revised IFRSs and IFRIC interpretations *(Cont'd)*

iii) IAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts (issued August 2005) – amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be re-measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have any effect on the financial statements.

Amendment for the fair value option (issued June 2005) – amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, hence the amendment did not have any effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005) – amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment did not have any effect on the financial statements.

iv) IFRIC 4 Determining Whether an Arrangement contains a Lease

The Group adopted IFRIC Interpretation 4 with effect from 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy did not have any impact on the financial statements.

v) IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group adopted IFRIC Interpretation 5 with effect from 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for a companies assets. As the entity does not currently operate in a country where such funds exist, this interpretation did not have any impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

w) New and revised IFRSs and IFRIC interpretations *(Cont'd)*

vi) IFRIC 6 Liabilities arising from Participating in a Specific Market- Waste Electrical and Electronic Equipment

The Group adopted IFRIC Interpretation 6 with effect from 1 January 2006, which established the recognition date for liabilities arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. As the entity does not currently participate in this specific market nor have any operation in a jurisdiction that implements the EU Directive, this interpretation did not have any impact on the financial statements.

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

a) Business segment

Throughout the year, the Group has been operating in a single business segment, i.e. the development, manufacture and sale of software products, sale of related hardware products and provision of software-related technical services. Accordingly, no business segment information is presented.

b) Geographical segment

As the Group's revenue and results were substantially derived from the People's Republic of China ("PRC") and its operating assets and liabilities are also based in the PRC, no geographical segment information is presented.

5. REVENUE

The Group is principally engaged in the businesses of development, manufacture and sale of software products, sale of related hardware products and provision of software-related technical support services. Revenue, which is also the Group's turnover, represents the net invoiced value of sales and revenue from provision for maintenance and other services. Turnover excludes sales taxes and is stated after allowances for returns and trade discounts. An analysis of the Group's revenue is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Sale of computer software	**6,986**	5,253
Sale of computer hardware	**6,121**	2,950
Provision for maintenance and other services	**8,270**	3,073
	21,377	11,276

6. OTHER OPERATING INCOME/(LOSS)

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Value added tax refunds	**591**	784
Government grants	**396**	1,152
Rental income from subletting properties under operating lease	**196**	95
Write-off of long outstanding deposits and receipts in advance from customers	**—**	2,145
Sundry income	**31**	179
Gain/(loss) on disposal of property, plant and equipment	**26**	(326)
	1,240	4,029

7. NET FINANCE COSTS

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Interest income on bank deposits	**(15)**	(17)
Interest on bank advances and other borrowings wholly repayable within five years	**1,286**	635
Others	**—**	191
Finance expenses	**1,286**	826
Net finance costs	**1,271**	809

8. Loss before taxation

Loss before taxation is arrived at after charging the following:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Research and development costs		
– amortisation of development costs	**212**	716
– current year expenditure not qualified as intangible assets	**1,244**	7,835
	1,456	8,551
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	**8,419**	8,492
– contributions to defined contribution plans	**898**	633
	9,317	9,125
Auditors' remuneration	**528**	356
Depreciation of property, plant and equipment	**1,914**	2,662
Operating lease charges: minimum lease payments		
– property rental	**1,896**	2,202
Impairment loss on other receivables	**1,722**	—
Impairment loss on trade receivables	**650**	—
Cost of inventories sold and services rendered#	**17,290**	15,238
Amortisation of software	**120**	187
Impairment loss on intangible assets		
– goodwill	**—**	272
– development costs	**1,192**	2,488
– software	**—**	178

Cost of inventories sold and services rendered includes staff costs of approximately RMB3,489,000 (2005: RMB3,837,000) and depreciation expenses of approximately RMB291,000 (2005: RMB341,000) that are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. TAXATION

a) No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years ended 31 December 2006 and 2005. Taxes on profits assessable in PRC have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

Hangzhou Singlee Software Company Limited ("Singlee Software"), the Company's subsidiary established in the PRC, is subject to PRC enterprise tax at a rate of 33%. No provision for PRC enterprise income tax has been made for the years ended 31 December 2006 and 2005 as Singlee Software made loss in the years.

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), the Company's subsidiary established in the PRC, is subject to PRC enterprise tax at a rate of 33%. No provision for PRC enterprise income tax has been made for the years ended 31 December 2006 and 2005 as Singlee Technology made loss in the years.

Singlee Software (Zhuhai) Company Limited ("Singlee Zhuhai"), the Company's subsidiary established in the PRC, is subject to PRC enterprise tax at a rate of 33%. For the year ended 31 December 2006, no provision for PRC income tax has been made as Singlee Zhuhai has accumulated tax losses brought forward which exceeds the estimated assessable profits for the year. For the year ended 31 December 2005, no provision for PRC enterprise income tax has been made as Singlee Zhuhai made loss in that year.

Beijing Century Financial Knowledge Company Limited ("Beijing Century"), the Company's subsidiary established in the PRC, is subject to PRC enterprise tax at a rate of 33%. For the year ended 31 December 2006, no provision for PRC income tax has been made as Beijing Century has accumulated tax losses brought forward which exceeds the estimated assessable profits for the year. For the year ended 31 December 2005, no provision for PRC enterprise income tax has been made as Beijing Century made loss in that year.

b) Reconciliation between tax expense and accounting loss at applicable tax rate:

	2006	2005
	RMB'000	*RMB'000*
Loss before taxation	**(16,151)**	(37,221)
Notional tax on loss before taxation, calculated at the statutory rate of 33%	**(5,329)**	(12,283)
Tax effect of non-deductible expenses	**1,465**	3,169
Tax effect of non-taxable income	**(2)**	—
Tax effect of unused tax losses not recognised	**3,977**	8,195
Tax effect of utilisation of unused tax losses previously not recognised	**(287)**	—
Effect of different tax rates of companies of the Group	**176**	919
Actual tax expense	**—**	—

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2006

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:				
Mr. Pao Ping Wing	**72**	**—**	**—**	**72**
Mr. Tam Kwok Hing	**72**	**—**	**—**	**72**
Mr. Lo King Man	**72**	**—**	**—**	**72**
Executive directors:				
Mr. Cui Jian	**—**	**72**	**4**	**76**
Mr. Xu Shu Yi	**—**	**72**	**—**	**72**
Ms. Wong Chi Shun	**—**	**13**	**1**	**14**
Mr. Hung Yung Li	**—**	**72**	**4**	**76**
	216	**229**	**9**	**454**

2005

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:				
Mr. Pao Ping Wing	76	—	—	76
Mr. Tam Kwok Hing	76	—	—	76
Mr. Lo King Man	61	—	—	61
Executive directors:				
Mr. Cui Jian	—	72	4	76
Mr. Xu Shu Yi	—	76	—	76
Ms. Wong Chi Shun	—	53	2	55
Mr. Hung Yung Li	—	55	3	58
	213	256	9	478

For the years ended 31 December 2006 and 2005, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. None of directors waived or agreed to waive any remuneration for the years ended 31 December 2006 and 2005.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2006 and 2005, none of the five individuals with the highest emoluments is a director. The aggregate emoluments in respect of the five (2005: five) individuals with the highest emoluments are as follows:

	2006	2005
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,051**	984
Retirement benefits scheme contributions	**57**	28
	1,108	1,012

The emoluments of five (2005: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2006	2005
Nil – RMB1,000,000 (equivalent to approximately HK$1,000,000)	**5**	5

For the years ended 31 December 2006 and 2005, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of RMB56,179,000 (2005: RMB5,190,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company of RMB16,151,000 (2005: RMB37,221,000) and the weighted average of 603,000,000 (2005: 603,000,000) ordinary shares in issue during the year.

b) Diluted loss per share

No disclosure of diluted loss per share for the years ended 31 December 2006 and 31 December 2005 is shown as the Company's outstanding share options have antidilutive effect.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Computer and related equipment	Other office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2005	2,861	8,897	3,466	1,205	16,429
Additions	—	372	30	—	402
Disposals	—	(305)	(86)	(52)	(443)
At 31 December 2005 and 1 January 2006	2,861	8,964	3,410	1,153	16,388
Exchange adjustments	—	(3)	—	—	(3)
Additions	—	42	—	—	42
Disposals	—	—	—	(164)	(164)
At 31 December 2006	**2,861**	**9,003**	**3,410**	**989**	**16,263**
Accumulated depreciation and impairment loss					
At 1 January 2005	1,770	6,363	2,142	523	10,798
Charge for the year	494	1,483	452	233	2,662
Written back on disposals	—	(31)	(17)	(16)	(64)
At 31 December 2005 and 1 January 2006	2,264	7,815	2,577	740	13,396
Exchange adjustments	—	(2)	—	—	(2)
Charge for the year	597	606	524	187	1,914
Written back on disposals	—	—	—	(66)	(66)
At 31 December 2006	**2,861**	**8,419**	**3,101**	**861**	**15,242**
Net book value					
At 31 December 2006	**—**	**584**	**309**	**128**	**1,021**
At 31 December 2005	597	1,149	833	413	2,992

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The Company

	Computer and related equipment	
	2006	2005
	RMB'000	*RMB'000*
Cost		
At 1 January	**90**	90
Exchange adjustments	**(3)**	—
At 31 December	**87**	90
Accumulated depreciation		
At 1 January	**66**	47
Exchange adjustments	**(2)**	—
Charge for the year	**17**	19
At 31 December	**81**	66
Net book value		
At 31 December	**6**	24

15. INTANGIBLE ASSETS

The Group

	Goodwill	Development costs	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2005	272	11,399	939	12,610
Additions	—	726	—	726
At 31 December 2005 and 1 January 2006	272	12,125	939	13,336
Disposals	—	(2,145)	—	(2,145)
At 31 December 2006	**272**	**9,980**	**939**	**11,191**
Accumulated amortisation and impairment losses				
At 1 January 2005	—	2,922	454	3,376
Amortisation for the year	—	716	187	903
Impairment loss	272	2,488	178	2,938
At 31 December 2005 and 1 January 2006	272	6,126	819	7,217
Amortisation for the year	—	212	120	332
Impairment loss	—	1,192	—	1,192
Written back on disposals	—	(2,145)	—	(2,145)
At 31 December 2006	**272**	**5,385**	**939**	**6,596**
Net book value				
At 31 December 2006	**—**	**4,595**	**—**	**4,595**
At 31 December 2005	—	5,999	120	6,119

15. INTANGIBLE ASSETS *(Cont'd)*

a) Development costs represent new software products internally developed by the Group. Software represents the cost of acquiring computer software.

b) The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

c) In 2006, the management of the Group assessed the recoverable amounts of the intangible assets. Based on this assessment, the carrying amount of the intangible assets was written down by RMB1,192,000 (2005: RMB2,938,000), which was disclosed on the face of the consolidated income statement. The recoverable amounts have been determined on the basis of value in use calculations. All value in use calculations are based on past performance, management's expectations for the market development and certain key assumptions, and with reference to the valuation report prepared by an independent valuation firm.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost	**6,674**	6,674
Less: impairment loss	**(6,674)**	(6,674)
	—	—

(Expressed in Renminbi)

16. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

The particulars of the subsidiaries of the Company at 31 December 2006 were as follows:

Name of company	Place of incorporation/ operation	Proportion of ownership interest		Particulars of issued and fully paid share capital/ registered capital	Principal activities
		Direct	Indirect		
Sing Lee Electronics (B.V.I.) Co., Ltd. ("Singlee BVI")	British Virgin Islands	100%	—	715 shares of US$1 each	Investment holding
Hangzhou Singlee Software Company Limited ("Singlee Software")	The People's Republic of China (the "PRC")	—	100%	Registered capital US$4,325,500	Development, manufacture and sale of software products, sale of related hardware products and provision of software-related technical services
Hangzhou Singlee Technology Company Limited ("Singlee Technology")	The PRC	—	100%	Registered capital US$1,584,000,	Same as above
Singlee Software (Zhuhai) Company Limited ("Singlee Zhuhai")	The PRC	—	100%	Registered capital US$1,250,000	Same as above
Beijing Century Financial Knowledge Company Limited ("Beijing Century")	The PRC	—	100%	Registered capital RMB1,000,000	Same as above

a) Singlee Software is a wholly foreign-owned enterprise established in the PRC having an operational period of 50 years up to 26 May 2049.

b) Singlee Technology is a sino-foreign equity joint venture established in the PRC having an operational period of 20 years up to 15 October 2021. Singlee Technology was held by Singlee BVI and Singlee Software.

c) Singlee Zhuhai is a sino-foreign equity joint venture established in the PRC having an operational period of 20 years up to 15 March 2022. Singlee Zhuhai was held by Singlee BVI and Singlee Software.

d) Beijing Century is a wholly foreign-owned enterprise established in the PRC having an operational period of 10 years up to 2 June 2014.

16. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

e) In prior years, the directors determined the recoverable amounts of the investments in subsidiaries on the basis of value-in-use calculations and recognised an impairment loss of RMB6,674,000. Value-in-use calculations were based on past performance, management's expectations for the market development and certain key assumptions. In 2006, the directors assessed the recoverable amounts of the investments in subsidiaries and concluded that the impairment loss is not reversed as there is no favourable change in the estimates used to determine the recoverable accounts.

17. INVENTORIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finished goods	**7,718**	18,005	**7,318**	11,966

The analysis of the amount of inventories recognsied as an expense is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**7,639**	3,125
Write down of inventories	**269**	3,569
	7,908	6,694

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from subsidiaries *(note a)*	**—**	—	**5,688**	55,460
Trade receivables *(note b)*	**5,876**	4,430	**—**	—
Sales and other tax prepaid	**266**	2,083	**—**	—
Prepayments and other receivables	**1,762**	5,760	**904**	1,549
	7,904	12,273	**6,592**	57,009

a) Amounts due from subsidiaries

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Due from subsidiaries	**56,163**	55,460
Less: impairment loss	**(50,475)**	—
	5,688	55,460

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

b) Trade receivables

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

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Within 90 days	**5,119**	2,912
91 to 180 days	**541**	36
181 to 365 days	**216**	1,482
	5,876	4,430

18. TRADE AND OTHER RECEIVABLES *(Cont'd)*

b) Trade receivables *(Cont'd)*

The general credit terms of the Group range from 60 to 90 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' request.

Movements of impairment losses for bad and doubtful debts are listed below:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
At January	**13,634**	13,634
Charge for the year	**650**	—
Write-offs	**(13,634)**	—
At December	**650**	13,634

c) All of the trade and other receivables are expected to be recovered within one year.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank deposits, denominated in				
– Hong Kong dollars	**130**	21	**111**	1
– United Sates dollars	**25**	13	**12**	—
– Renminbi	**5,767**	2,471	**—**	—
Cash and cash equivalents in the balance sheets	**5,922**	2,505	**123**	1
Bank overdraft	**—**	(5,586)		
Cash and cash equivalents in the consolidated cash flow statement	**5,922**	(3,081)		

a) Cash and cash equivalents of approximately RMB5,767,000 (2005: RMB2,471,000) are denominated in Renminbi, which is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

b) At 31 December 2005, the banking facilities including bank overdraft and bills payable (see note 21) were secured by (i) the properties held by Mr. Hung Yung Lai ("Mr. Hung"), a director of the Company, and Ms. Iu Pun, the spouse of Mr. Hung, and (ii) properties held by Sing Lee Pharmaceutical Import & Export Co. Limited, a company owned by Mr. Hung and Ms. Li Kei Ling ("Ms. Li"), a controlling shareholder of the Company.

20. LOANS AND OTHER BORROWINGS

At 31 December 2006, loans and other borrowings were repayable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**21,315**	1,785	**19,315**	1,785
After 1 year but within 2 years	**268**	—	**268**	—
	21,583	1,785	**19,583**	1,785

At 31 December 2006, loans and other borrowings were analysed as below:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans, secured *(note a)*				
– repayable within 1 year	**17,102**	—	**17,102**	—
– repayable after 1 year but within 2 years	**268**	—	**268**	—
	17,370	—	**17,370**	—
Other borrowings unsecured *(note b)*, repayable within 1 year	**4,213**	1,785	**2,213**	1,785
	21,583	1,785	**19,583**	1,785

a) At 31 December 2006, the Group's and the Company's bank loans of RMB17,370,000 (2005: Nil) bear interests at rates of 6.4 % to 8% per annum. These loans were secured by (i) properties held by Mr. Hung Yung Lai ("Mr. Hung"), a director of the Company, and Ms. Iu Pun, the spouse of Mr. Hung, and (ii) properties held by Sing Lee Pharmaceutical Import & Export Company Limited, a company owned by Mr. Hung and a controlling shareholder of the Company, Ms. Li Kei Ling ("Ms. Li").

b) The other borrowings were unsecured and repayable within one year. At 31 December 2006, other borrowings of RMB4,213,000 (2005: RMB1,785,000) of the Group bear interests at rates of 5% to 10% per annum (2005: 5% per annum). At 31 December 2006, other borrowings RMB2,213,000 of the Company bear interests at 5% per annum (2005: 5% per annum).

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payables	**—**	9,284	**—**	9,284
Trade payables *(note a)*	**3,932**	7,603	**—**	2,445
Deposits and receipts in advance from customers	**637**	1,904	**—**	—
Accruals and other payables	**5,079**	5,165	**1,764**	842
Due to ultimate holding company *(note b)*	**14**	14	**14**	14
Due to a related company *(note c)*	**5,266**	5,477	**5,266**	5,477
Due to directors *(note d)*	**2,537**	2,426	**2,537**	2,513
	17,465	31,873	**9,581**	20,575

a) An aging analysis of trade payables is as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**1,389**	6,238	**—**	2,445
91 to 180 days	**1,370**	353	**—**	—
181 to 365 days	**—**	999	**—**	—
Over 365 days	**1,173**	13	**—**	—
	3,932	7,603	**—**	2,445

b) The amount due to Goldcorp Industrial Limited ("Goldcorp") is unsecured, non-interest bearing and has no fixed terms of repayment. Goldcorp is owned by Mr. Hung Yung Lai, a director of the Company, and Great Song Enterprises Limited, a company owned by a controlling shareholder of the Company, Ms. Li Kei Ling.

c) The amount due to Sing Lee International Trading Limited, in which Mr. Hung Yung Lai, a director of the Company, has controlling interests, is unsecured, non-interest bearing and have no fixed terms of repayment.

d) The amounts due to directors are unsecured, non-interest bearing and have no fixed terms of repayment.

e) All of the trade and other payables are expected to be settled within one year.

22. DEFERRED INCOME

Deferred income represents the unamortized balance of revenue from provision of maintenance and other services which is recognised on a straight-line basis to the income statement over the period of service provided to customers.

23. SHARE CAPITAL

	The Group and the Company	
	2006	2005
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2005: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
603,000,000 (2005: 603,000,000) ordinary shares of HK$0.01 each	**6,030**	6,030
Equivalent to RMB'000	**6,271**	6,271

24. RESERVES

a) The Group

	Attributable to equity holders of the Company				
	Share premium	Statutory surplus reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2005	59,267	3,613	13	(31,043)	31,850
Loss for the year	—	—	—	(37,221)	(37,221)
Exchange difference on translation of financial statements of foreign entities	(1,119)	—	1,518	—	399
At 31 December 2005 and 1 January 2006	58,148	3,613	1,531	(68,264)	(4,972)
Loss for the year	—	—	—	(16,151)	(16,151)
Exchange difference on translation of financial statements of foreign entities	—	—	299	—	299
At 31 December 2006	**58,148**	**3,613**	**1,830**	**(84,415)**	**(20,824)**

24. RESERVES *(Cont'd)*

b) The Company

	Share premium	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2005	59,267	4,718	(22,893)	41,092
Loss for the year	—	—	(5,190)	(5,190)
Exchange difference on translation of financial statements of foreign entities	(1,119)	—	—	(1,119)
At 31 December 2005 and 1 January 2006	58,148	4,718	(28,083)	34,783
Loss for the year	—	—	(56,179)	(56,179)
At 31 December 2006	**58,148**	**4,718**	**(84,262)**	**(21,396)**

c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Statutory surplus reserve

The subsidiaries in the PRC are required to transfer 10% of their net profit, after offsetting prior years' losses, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

The directors of Singlee Software and Singlee Technology resolved not to make any appropriation to the statutory surplus reserve for the years ended 31 December 2006 and 2005 as these subsidiaries have sustained loss for the years.

24. RESERVES *(Cont'd)*

c) Nature and purpose of reserves *(Cont'd)*

(ii) Statutory surplus reserve *(Cont'd)*

The directors of Singlee Zhuhai and Beijing Century resolved not to make any appropriation to the statutory surplus reserve for the year ended 31 December 2006 as these subsidiaries have sustained loss after taking into account prior years' losses. The directors of these subsidiaries resolved not to make any appropriation to the statutory surplus reserve for the year ended 31 December 2005 as these subsidiaries have sustained loss for that year.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(r).

(iv) Capital reserve

The capital reserve of the Company represents the difference between the net asset value of subsidiaries acquired over the nominal value of nominal value of shares issued by the Company.

(v) Differences between financial statements prepared under PRC accounting rules and regulations and IFRSs

PRC accounting rules and regulations required the subsidiaries registered in the PRC to provide for staff and worker's bonus and welfare fund, which are appropriated from net profit after tax, after offsetting prior years' losses, as determined under PRC accounting rules and regulations, but before distribution of a dividend to shareholders. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the directors of such subsidiaries. The staff and worker's bonus and welfare fund can only be utilized on special bonuses or capital items for the collective benefits of the employees of the individual subsidiary such as the construction of dormitories, canteen and other staff welfare facilities. The fund is non-distributable other than in liquidation. When the relevant assets are disposed of or written off, the original transfers from the fund are reversed. Under IFRSs, appropriations to the fund have been included as expenses and the balance of the fund as a liability of the Group. The directors of such subsidiaries resolved not to make any appropriation to the fund for the years ended 31 December 2006 and 2005.

There are no other material differences between the Group's financial statements prepared in accordance with PRC accounting rules and regulations and IFRSs.

24. RESERVES *(Cont'd)*

d) Distributability of reserves

Under the Companies Act 1981 of Bermuda ("Companies Act"), share premium and capital reserve are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and capital reserve if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As at 31 December 2006, the Company had no reserve available for distribution to equity holders of the Company.

As at 31 December 2005, the Company's reserves available for distribution to shareholders amounted to approximately RMB34,783,000, computed in accordance with the Companies Acts and the Company's articles of association. This includes the Company's share premium and capital reserve of approximately RMB58,148,000 and RMB4,718,000 respectively, less accumulated losses of approximately RMB28,083,000, which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

25. EMPLOYEE SHARE OPTION

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. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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 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 31 December 2006 is 60,300,000 (2005: 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 month 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 at 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 shares 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.

25. EMPLOYEE SHARE OPTION *(Cont'd)*

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 ten 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 its employees (including three executive directors) of the Group. Shares of the Company were at closing price of HK$0.58 immediately before the day on which options were granted. Share options granted are subject to a vesting scale in tranches of 33.3 per cent each per annum starting from five months after the date of grant and fully vested in five months after the second anniversary of the date of grant, providing that the grantees remain under the employ of the Group. The vested share options are exercisable within ten years of the grant date.

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 two chief executives of the Group. Shares of the Company were at closing price of HK$0.14 immediately before the day on which options were granted. The vested share options are exercisable within ten years of the grant date. All share options granted on 1 June 2004 were forfeited during the year ended 31 December 2005.

a) Movements in share options

	2006		2005	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$	***'000***	*HK$*	*'000*
Outstanding at 1 January	**0.614**	**10,830**	0.397	21,820
Forfeited	**0.614**	**(3,860)**	0.183	(10,990)
Outstanding at 31 December	**0.614**	**6,970**	0.614	10,830
Options vested at 31 December	**0.614**	**6,970**	0.614	10,830

The options outstanding at 31 December 2006 had an exercise price of HK$0.614 (2005: HK$0.614) and a weighted average remaining contractual life of 5.27 years (2005: 6.27 years).

(Expressed in Renminbi)

25. EMPLOYEE SHARE OPTION *(Cont'd)*

a) Movements in share options *(Cont'd)*

The following table discloses the details of the share options held by directors and employees and movements in such holdings during year 2006:

Name of directors/employees	**Outstanding as at 1 January 2006**	**Forfeited during the year**	**Outstanding as at 31 December 2006**
Options granted on 8 April 2002			
Cui Jian (director)	**3,180,000**	**—**	**3,180,000**
Other employees (other than directors)	**7,650,000**	**(3,860,000)**	**3,790,000**
	10,830,000	**(3,860,000)**	**6,970,000**

The following table discloses the details of the share options held by directors and employees and movements in such holdings during year 2005:

Name of directors/employees	Outstanding as at 1 January 2005	Forfeited during the year	Outstanding as at 31 December 2005
Options granted on 8 April 2002			
Cui Jian (director)	3,180,000	—	3,180,000
Other employees (other than directors)	8,640,000	(990,000)	7,650,000
Options granted on 1 June 2004			
Wang Xi	5,000,000	(5,000,000)	—
Wang Yumin	5,000,000	(5,000,000)	—
	21,820,000	(10,990,000)	10,830,000

25. EMPLOYEE SHARE OPTION *(Cont'd)*

b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Remaining contractual life	Exercise price	Number of options 2006	Number of options 2005
			HK$	***'000***	*'000*
8 April 2002	7 September 2002 to 7 April 2012	5.27 years	0.614	2,323	3,610
8 April 2002	7 September 2003 to 7 April 2012	5.27 years	0.614	2,323	3,610
8 April 2002	7 September 2004 to 7 April 2012	5.27 years	0.614	2,324	3,610
				6,970	10,830

In prior years, no amounts were recognised when employees (which term includes the directors of the Company) were granted share options over shares in the Company in accordance with the accounting policy set out in note 3(i)(iii) for the Group has taken advantage of the transitional provisions set out in paragraph 53 of IFRS 2 under which the recognition and measurement policies have not been applied to (i) all options granted to employees on or before 7 November 2002. and (ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

26. DEFERRED TAXATION NOT RECOGNISED

At the balance sheet date and for the year, the Group has not recognised deferred tax assets in respect of tax losses of approximately RMB54 million (2005: RMB46 million) as it is not probable that taxable profit will be available against which tax losses can be utilised. At 31 December 2006, the Group's tax losses of approximately RMB30 million (2005: RMB25 million) will expire in five years and tax losses of approximately RMB24 million (2005: RMB21 million) do not expire under relevant current tax legislation.

The Group and the Company had no significant potential deferred tax liabilities for the year and at the balance sheet date.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

27. RETIREMENT BENEFITS SCHEME *(Cont'd)*

As stipulated by the rules and regulations in the PRC, subsidiaries established in the PRC Singlee Software, Singlee Technology, Singlee Zhuhai and Beijing Century participate in defined contribution retirement schemes organized by the relevant local government authorities in Mainland China. Each employee covered by these schemes is entitled, after retirement, to a pension payment equal to the basic salary of the employees as of their retirement dates. Singlee Software, Singlee Technology, Singlee Zhuhai and Beijing Century are required to make monthly contributions to the retirement scheme, up to the time of retirement of the eligible employees, at 20%, 20%, 10% and 20% respectively of their basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

At 31 December 2006, the Group had no significant obligation apart from the contribution as stated above (2005: nil).

Details of the pension contributions made by the Group, which have been dealt with in the consolidated results of operations of the Group for the current year, were as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Contributions to retirement benefits scheme	**898**	633

28. FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, trade and other receivables. The Group's financial liabilities include bank and other borrowings, trade and other payables.

The Group does not have nor has issued financial instruments for trading purposes. Exposure to credit, interest, liquidity and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group has no significant concentrations of credit risk.

28. FINANCIAL INSTRUMENTS *(Cont'd)*

b) Interest rate risk

The Group's exposure to fair value and cash flow interest risks is normal. The Group is exposed to interest rate risk related to its loans and borrowings. In order to minimise the risks, management has closely monitored the exposures.

The interest rates and terms of repayment of the Group's bank borrowings are disclosed in note 20.

c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

d) Foreign currency risk

A substantial-portion of the Group's revenue-generating operations and its expenses are transacted in Renminbi. Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC. On 21 July 2005, with the authorisation from the PRC government, the PBOC announced that the PRC government reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

28. FINANCIAL INSTRUMENTS *(Cont'd)*

e) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2006 and 2005.

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables

The carrying values approximate their fair values because of the short maturities of these items.

(ii) Loans and borrowings

The carrying amount of loans and borrowings approximates their fair values based on the borrowing rates currently available for loans and borrowings with similar terms and maturities.

f) Economic risk

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the Government of the People's Republic of China ("PRC Government") has been pursuing economic reform policies for the past years, no assurance can be given that the PRC Government will continue to pursue such policies or that such policies may not be significantly altered.

g) Business risk

A substantial portion of the Group's operations is conducted in the PRC. This includes risks associated with, among others, the political, economic and legal environment in the PRC.

h) Liquidity risks

The Group maintains a prudent financial policy and ensures that it maintains sufficient cash resources to meet its liquidity requirements.

i) Sensitivity analysis

In managing interest rate and foreign currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's loss. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated loss.

At 31 December 2006, its is estimated that a general increase of one percentage point in interest rates would increase the Group's loss before taxation by approximately RMB215,000 (2005: RMB17,000) so far as the effect on interest-bearing financial instruments is concerned.

29. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year.

a) Lease of office premises from Sing Lee Pharmaceutical Import and Export Company Limited ("Sing Lee Pharmaceutical")

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Rental paid to Sing Lee Pharmaceutical for lease of office premises	**252**	262

Sing Lee Pharmaceutical is a limited liability company incorporated in Hong Kong. It is owned by Mr. Hung Yung Lai, a director of the Company, and Ms. Li Kei Ling, a controlling shareholder of the Company.

In the opinion of the directors, the above related party transaction was carried out in the ordinary course of its business and on normal business terms.

b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10, is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Short-term employee benefits	**1,621**	1,624
Retirement scheme contributions	**72**	73
Total	**1,693**	1,697

Total remuneration is included in "staff costs" (see note 8).

30. OPERATING LEASE COMMITMENTS

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases in respect of premises as follows:

a) As lessor

The Group leases out part of its leased properties under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date at which all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2006, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Within one year	**107**	—

b) As lessee

At 31 December 2006, the total future minimum lease payables under non-cancellable operating leases are as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**814**	1,362	**704**	918
After one year but within five years	**328**	1,030	**327**	967
	1,142	2,392	**1,031**	1,885

The leases typically run for an initial period of six months to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform with the current year's presentation. The directors consider that it would better reflect the substance of the underlying transactions.

32. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2006, the directors consider the immediate parent and ultimate controlling party of the Group to be Goldcorp Industrial Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the customers' financial position were to deteriorate, actual write-offs would be higher than estimated.

b) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

c) Provision for diminution in value of inventories

If the costs of inventories fall below their net realisable values, a provision for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion and other distribution costs were to be higher than estimated, the actual provision for diminution in value of inventories could be higher than estimated.

d) Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred taxation and related financial models and budgets are reviewed at each balance sheet date.

(Expressed in Renminbi)

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE 31 DECEMBER 2006

Up to date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

The Group has not early applied the following amendments, new standards and interpretations that have been issued but are not yet effective. The Group anticipates that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

		Effective for accounting periods beginning on or after
Amendment to IAS 1	Presentation of Financial Statements: Capital Disclosures	1 January 2007
IFRS 7	Financial instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2 Share-based Payment	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS2-Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

a) Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures

The IAS 1 Amendment shall be applied for annual periods beginning or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

b) IFRS 7 – Financial Instruments: Disclosures

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE 31 DECEMBER 2006 *(Cont'd)*

c) IFRS 8 – Operating Segments

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009 and will replace the existing IAS 14 "Segment Reporting". IFRS 8 requires an entity to report on the financial performance of its operating segments, based on the information used internally for the purpose of evaluating segment performance and deciding resources allocation to operating segments. Such information may be different from what is used for preparing the income statement and balance sheet. IFRS 8 therefore requires explanations of the basis on how the segment information is prepared and reconciled to the income statement and balance sheet.

d) IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 7 shall be applied for annual periods beginning on or after 1 March 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32.

e) IFRIC 8 – Scope of IFRS 2 Share-based Payments

IFRIC 8 shall be applied for annual periods beginning on or after 1 May 2006. It requires IFRS 2 "Share-based Payment" to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

f) IFRIC 9 – Reassessment of Embedded Derivatives

IFRIC 9 shall be applied for annual periods beginning on or after 1 June 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

g) IFRIC 10 – Interim Financial Reporting and Impairment

IFRIC 10 shall be applied for annual periods beginning on or after 1 November 2006. It clarifies the prohibitions on reversal of impairment losses recognised in the previous interim period in respect of available-for-sale equity instruments, unquoted equity instruments not carried at fair value, and goodwill.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE 31 DECEMBER 2006 *(Cont'd)*

h) IFRIC 11 – IFRS 2 - Group and Treasury Share Transactions

IFRIC 11 shall be applied for annual periods beginning on or after 1 March 2007. It provides guidance on distinguishing between equity-settled transactions and cash-settled transactions, and the uses of share-based payment arrangement that involves two or more entities within a group.

i) IFRIC 12 – Service Concession Arrangements

IFRIC 12 shall be applied for annual periods beginning on or after 1 January 2008. It provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.