



**SING LEE SOFTWARE (GROUP) LIMITED**

**新利軟件(集團)股份有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8076)**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2007**

*\* For identification purposes only*

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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*This report, for which the directors of Sing Lee Software (Group) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sing Lee Software (Group) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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

#### UNAUDITED COMBINED STATEMENT OF INCOME

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

## CONSOLIDATED BALANCE SHEETS

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

Approved and authorised for issue by and signed on behalf of the Board of Directors on 10 August 2007.

**Hung Yung Lai**  
*Director*

**Xu Shu Yi**  
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

**UNAUDITED CONDENSED COMBINED CASH FLOW STATEMENT**

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and principal accounting policies

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

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

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

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

### 2. Turnover

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

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

### 3. Other operating income

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

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

#### 4. Profit/(Loss) before tax

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

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

#### 5. Taxation

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

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

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

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

Note:

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

#### 6. Earning/(Loss) per share

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

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

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



**7. Dividend**

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

**8. Trade receivables**

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

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

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

**9. Trade payables**

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

**10. Commitments**

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

## 11. Related Party Transactions

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

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

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

### Notes:

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review and results of operations**

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

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

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

### **BUSINESS REVIEW**

#### **Banking Business**

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

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

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

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

#### **Education Business**

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

## **FUTURE PROSPECT**

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

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

## **LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO**

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

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

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

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

## **ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

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

## **SEGMENTAL INFORMATION**

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

#### **EMPLOYEE INFORMATION**

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

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

#### **CHARGE ON GROUP ASSETS**

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

#### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING**

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

#### **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

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

#### **CONTINGENT LIABILITIES**

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

#### **PROSPECTS OF NEW PRODUCTS**

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

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

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

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

*Notes:*

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

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

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

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

#### **Shares in the Company:**

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

#### **Shares in associated corporation:**

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

#### *Notes:*

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

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

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



The summary details of options granted are as follows:

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

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

Save as disclosed above, as at 30 June 2007, none of the directors, chief executives, or their respective associates had any interest or short position in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.66 of the GEM Listing Rules.

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

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

#### **COMPETING INTERESTS**

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

## **CORPORATE GOVERNANCE PRACTICES**

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

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

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

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

By Order of the Board  
**Hung Yung Lai**  
*Chairman*

Hong Kong, 10 August 2007