



China Post E-Commerce (Holdings) Limited

中郵電貿(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8041)

Website : <http://www.cpech.com>

First Quarterly Report 2010



* For identification purpose only

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

The directors (the “Directors”) of China Post E-Commerce (Holdings) Limited (the “Company”) collectively and individually accept full responsibility for this report which is given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The Directors confirm, having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this report have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

SUMMARY (UNAUDITED)

- The Group recorded total unaudited turnover of approximately HK\$19,456,000 for the three months ended 31 March 2010.
- The Group recorded unaudited loss attributable to shareholders of approximately HK\$1,337,000 for the three months ended 31 March 2010.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2010.
- The Group had a sound financial position with cash and bank balances of approximately HK\$27,744,000 and no bank borrowings as at 31 March 2010.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The Board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2010, together with the comparative unaudited figures for the same period in 2009 as follows:

	Notes	For the three months ended 31 March	
		2010 HK\$'000	2009 HK\$'000
Turnover		19,456	19,361
Cost of sales		<u>(13,757)</u>	<u>(13,837)</u>
Gross profit		5,699	5,524
Other revenue		66	504
Administrative expenses		(2,829)	(1,277)
Depreciation for property, plant and equipment		(1,872)	(2,081)
Other operating expenses		<u>(1,826)</u>	<u>(3,185)</u>
Loss from operations		(762)	(515)
Finance costs		<u>(257)</u>	<u>(62)</u>
Loss before tax		(1,019)	(577)
Income tax expense	3	<u>(887)</u>	<u>(477)</u>
Loss for the period		<u>(1,906)</u>	<u>(1,054)</u>
Dividend	4	<u>-</u>	<u>-</u>
Attributable to:			
Equity holders of the Company		(1,337)	(930)
Minority Interests		<u>(569)</u>	<u>(124)</u>
		<u>(1,906)</u>	<u>(1,054)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	5		
Basic		<u>(0.08)</u>	<u>(0.01)</u>
Diluted		<u>(0.08)</u>	<u>(0.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Loss for the period	(1,906)	(1,054)
Other comprehensive expenses		
Exchange differences arising on translation of financial statement outside Hong Kong	(122)	339
Other comprehensive income for the period, net of tax	<u>—</u>	<u>—</u>
Total comprehensive loss for the period	<u>(2,028)</u>	<u>(715)</u>
Total comprehensive loss attributable to:		
– equity holders of the Company	(1,459)	(591)
– minority interest	<u>(569)</u>	<u>(124)</u>
	<u>(2,028)</u>	<u>(715)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2010

	Attributable to equity holders of the Company									
	Share capital	Share premium	Translation reserve	Revaluation reserve	Share Option reserve	Capital redemption reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	67,062	61,235	1,867	23,639	12,809	-	(52,748)	113,864	42	113,906
Issue of consideration Share	3,600	25,200	-	-	-	-	-	28,800	-	28,800
Exchange differences arising on translation of financial statement outside Hong Kong	-	-	339	-	-	-	-	339	-	339
Loss for the period	-	-	-	-	-	-	(930)	(930)	(124)	(1,054)
At 31 March 2009 (unaudited)	<u>70,662</u>	<u>86,435</u>	<u>2,206</u>	<u>23,639</u>	<u>12,809</u>	<u>-</u>	<u>(53,678)</u>	<u>142,073</u>	<u>(82)</u>	<u>141,991</u>
At 1 January 2010 (audited)	92,903	234,583	1,690	17,344	12,809	150	(54,044)	305,435	(3,867)	301,568
Exchange differences arising on translation of financial statement outside Hong Kong	-	-	(122)	-	-	-	-	(122)	-	(122)
Loss for the period	-	-	-	-	-	-	(1,337)	(1,337)	(569)	(1,906)
At 31 March 2010 (unaudited)	<u>92,903</u>	<u>234,583</u>	<u>1,568</u>	<u>17,344</u>	<u>12,809</u>	<u>150</u>	<u>(55,381)</u>	<u>303,976</u>	<u>(4,436)</u>	<u>299,540</u>

In the opinion of the directors, the revaluation reserve, convertible bonds reserve, capital redemption reserve and share option reserve are not available for distribution to the Company's shareholders.

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

1. General Information

China Post E-Commerce (Holdings) Limited (the "Company") and its subsidiaries (together, "the Group") manufacture and sell ceramic ferrule, fiber optic connector, fiber optic adapter and patch code respectively. The Group has operations mainly in countries within Hong Kong and the People's Republic of China ("PRC").

The Company is a limited liability company incorporated in Cayman Islands and domiciled in Hong Kong. The address of its principal place of business is Room 1203, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

These condensed consolidated financial information are presented in HK dollars, unless otherwise stated. This condensed consolidated financial information was approved for issue on 13 May 2010.

This condensed consolidated financial information has not been audited.

2. Basis of presentation

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Group is mainly Renminbi. As the Company's shares are listed on the Stock Exchange, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2010 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

3. Income tax expense

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in or derived from Hong Kong during the three months ended 31 March 2010 (the three months ended 31 March 2009: Nil). Taxes on profits assessable elsewhere have calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The taxation on the Group's profit/(loss) for the period differs from the theoretical amount that would arise using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rates are as follows:

	Three month ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before tax	1,019	577
Taxation at the notional rate	(152)	(36)
Tax effect of income not taxable	11	8
Tax effect of expenses not deductible for taxation purpose	318	359
Tax effect of estimated tax losses not recognized for the period	710	146
	887	477

4. Dividends

The director do not recommend the payment of an interim dividend for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

5. Earnings per share

Earnings per share attributable to equity holders of the Company arises from operations as follows:

	Three month ended	
	31 March	
	2010	2009
	(HK cents per share)	
	(unaudited)	(unaudited)
Loss per share for loss attributable to the equity holders of the Company		
– basic	(0.08)	(0.01)
– diluted	(0.08)	(0.01)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial Review

During the first quarter of 2010, the Group recorded unaudited consolidated turnover was approximately HK\$19,456,000 (2009: HK\$19,361,000). There is an approximately 0.5% increase in turnover. Gross profit was approximately HK\$5,699,000 when compared with that of approximately HK\$5,524,000 for the same quarter in 2009. The loss attributable to shareholders was approximately HK\$1,337,000 when compared with that of HK\$930,000 for the same quarter in 2009.

Operations

During the period under review, the Group has taken effective measures to control its operating costs. This is the objective of the Group to adopt stringent cost control and maintain a thin but effective overhead structure. The Group is optimistic in enjoying a fruitful harvest and satisfying an anticipated growth of production capacity in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group had net current assets of approximately HK\$48,406,000 (31 March 2009: HK\$42,328,000). As at 31 March 2010, the Group had a sound financial position with bank balances and cash of approximately HK\$27,744,000 and had promissory notes of approximately HK\$12,400,000.

During the three months ended 31 March 2010, the Group did not make any material acquisition and disposal of subsidiaries and affiliated companies and investment.

As at 31 March 2010, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

PROSPECTS

The Company will continue to focus and deepen its main business in manufacturing and trading of ceramic ferrule, fiber optic connector, fiber optic adapter and patch code respectively. With Fibra to the home "FTTH" become popular, broadband users demand faster speed, increasing demand for broadband services, and the healthy growth of global market, we are optimistic for the future of this industry.

In the meantime, with the lead of our management team, the Company is actively searching for business opportunities in direct mailing and e-commerce. Whenever, there are attractive investment opportunities existed, the Company will expand its arm through strategic acquisition and cooperation. We strongly believe both our manufacturing, direct mailing business and e-commerce will bring fruitful returns and create additional values to our shareholders in the coming years.

DISCLOSURE OF INTERESTS

Interest in Securities of Directors and Chief Executive

As at 31 March 2010, the interests and short positions of the Directors in the shares ("**Shares**"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance, the Laws of Hong Kong (the "**SFO**") which are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules of the Stock Exchange (the "**GEM Listing Rules**") relating to securities transaction by Directors, were as follows:

(i) Long positions in Shares

Name of Director	Number of Shares	Capacity	Nature of interest	Approximate percentage of issued share capital (Note 1)
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	621,400,000 (Note 2)	Interest of a controlled corporation	Corporate	33.44%

Notes:

1. The percentage of issued share capital had been arrived at on the basis of a total of 1,858,055,819 Shares in issue as at 31 March 2010.
2. These shares are held by JL Investments Capital Limited, which is wholly owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the shares held by JL Investments Capital Limited.

Save as disclosed above, as at 31 March 2010, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transaction by Directors.

(ii) Long positions in underlying Shares of equity derivatives of the Company

Name of Director	Types of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Mr. Chung Man Wai ("Mr. Chung")	Beneficial	Share Option (Note)	13,412,000	0.72%

Note:

On 30 May 2008, Mr. Chung was granted 67,060,000 share option under the existing share option scheme adopted in compliance with Chapter 23 of the GEM Listing Rules which carry rights to subscribe for 13,412,000 new Shares at current exercise price of HK0.46 per Share.

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executives of the Company or their respective spouses or children under 18 years of age had any right to subscribe for the Shares or any share of its associated corporations.

(iii) Short positions in the Shares and underlying Shares of equity derivatives of the Company

Name of Director	Number of Shares	Capacity	Nature of interest	Approximate percentage of issued share capital (Note 1)
Mr. Lau	113,000,000 (Note 2)	Interest of a controlled corporation	Corporate	6.08%

Notes:

1. See Note 1 on page 10.
2. See Note 2 on page 10.

Saved as disclosed herein, as at 31 March 2010, none of the Directors had short positions in Shares or underlying Shares of equity derivatives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION

On 18 March 2008, the Company terminated share option scheme adopted by the Company on 29 April 2002 and the rules of the new share option scheme (the "New Share Option Scheme") be approved and adopted as the new share option scheme. For further details of these, please refer to the circular dated 29 February 2008.

The New Share Option Scheme is valid and effective for the period of ten years commencing on the date on which it was adopted. The purpose of the New Share Option Scheme is to provide incentives or rewards for contribution to eligible participants who have made or may make to the Group or any Invested Entity. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to any of the Participant. Participant means any Employees and any Directors (including executive, non-executive and independent non-executive Directors) of any member of the Group or any Invested Entity. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the New Share Option Scheme of the Company must not be exceed 30% of the shares in issue from time to time. The New Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

As a result of the Share Consolidation, the exercise price of the outstanding options shall be adjusted from HK\$0.092 to HK\$0.46 per Share and the number Shares falling to be issued upon exercise of the options shall be adjusted from 402,360,000 Shares to 80,472,000 Shares. It was certified that the above adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules.

At 31 March 2010, the number of shares in respect of which options had been granted under the New Share Option Scheme was 80.472 Million (the three months ended 31 March 2009: 402.36 million), representing 4.33% (the three months ended 31 March 2009: 5.69%) of the shares of the Company in issue. The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the New Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company is issue at any point of time, without prior approval from the Company's shareholders. Options granted to a connected person (as such term defined in the GEM Listing Rules) of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the Offer Date. Any options granted under the New Share Option Scheme shall end in any event not later than ten years from the Grant Date. A nominal value of HK\$10.00 is payable on acceptance of each grant of options.

Details of the share options granted by the Company pursuant to the New Share Option Scheme and the options outstanding as at 31 March 2010 were as follows:

Grantees	Date granted	Balance as at 1 January 2010 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Balance as at 31 March 2010 '000	Period during with the options are exercisable	Exercise price per share
Mr. Chung (Director)	30 May 2008	13,412	-	-	-	13,412	30 May 2008 to 17 March 2017	HK\$0.46
Employee	30 May 2008	13,412	-	-	-	13,412	30 May 2008 to 17 March 2017	HK\$0.46
Consultants	30 May 2008	53,648	-	-	-	53,648	30 May 2008 to 17 March 2017	HK\$0.46
		<u>80,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,472</u>		

Note:

On 29 May 2009, every 5 shares of HK\$0.01 each in the issued and unissued share capital of the Company was consolidated into one consolidated share of HK\$0.05 each.

Interests in Securities of Substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at 31 March 2010, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:—

(i) Long positions in Shares

Name of Shareholders	Number of Shares	Nature of interest	Approximate percentage of issued share capital (%) (Note 1)
JL Investments Capital Limited	621,400,000 (Note 2)	Corporate	33.44%
Info-Source International Development Limited	107,820,895 (Note 3)	Corporate	5.80%

Notes:

1. see Note 1 on page 10.
2. see Note 2 on page 10.
3. These share are held by Info-Source International Development Limited, which is wholly owned by Guangdong Postal.

Save as disclosed above, as at 31 March 2010, the Directors were not aware of any other person who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under 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, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

(ii) Short positions in the Shares and underlying Shares of equity derivatives of the Company

Name of Shareholder	Number of Shares	Nature of interest	Approximate percentage of issued share capital (%) (Note 1)
Mr. Lau	113,000,000 (Note 2)	Interest of controlled corporation	6.08%

Notes:

1. See Note 1 on page 10.
2. See Note 1 on page 10.

As far as the Directors are aware, saved as disclosed herein, as at 31 March 2010, no persons have short positions in Shares or underlying Shares of equity derivatives of the Company.

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

The Company had not redeemed any of its Shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any Shares during the period.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2010, any business or interest of each Director, substantial shareholder and management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The primary duties of the audit committee are (i) to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited results for the three months ended 31 March 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standards of corporate governance for the Company. During the period, the Company is in compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules except provision A.4.1 of the CG Code as detailed below:

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors are not appointed for specific terms, but are subject to retirement and re-election.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for directors' securities transactions stated in the GEM Listing Rules. All the Directors have confirmed that they have complied with the requirements as set out in the GEM Listing Rules for the three months ended 31 March 2010.

By Order of the Board
China Post E-Commerce (Holdings) Limited
Lau Chi Yuen, Joseph
Chairman

Hong Kong, 13 May 2010.