



**SING LEE SOFTWARE (GROUP) LIMITED**

**新利軟件(集團)股份有限公司\***

*(Incorporated in the Bermuda with limited liability)*

**(Stock Code: 8076)**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2010**

\* *For identification purposes only*

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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.**

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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 2010, together with the unaudited comparative figures for the corresponding periods in 2009, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three months ended 30 June		Six months ended 30 June	
		2010 Rmb'000 (Unaudited)	2009 Rmb'000 (Unaudited)	2010 Rmb'000 (Unaudited)	2009 Rmb'000 (Unaudited)
<b>Continuing operations</b>					
Turnover	2	3,268	7,736	6,835	15,364
Cost of sales		(4,477)	(4,725)	(8,276)	(9,688)
<b>Gross (Loss)/Profit</b>		<b>(1,209)</b>	3,011	<b>(1,441)</b>	5,676
Other operating income	3	9	86	318	183
Distribution costs		(731)	(511)	(1,326)	(939)
Administrative expenses		(2,469)	(1,546)	(4,807)	(3,063)
Finance costs		(50)	(138)	(171)	(249)
<b>(Loss)/Profit before taxation</b>	4	<b>(4,450)</b>	902	<b>(7,427)</b>	1,608
Taxation	5	(326)	(309)	(446)	(629)
<b>(Loss)/Profit for the period from continuing operations</b>		<b>(4,776)</b>	593	<b>(7,873)</b>	979
<b>Discontinued operations</b>		-	-	-	-
<b>(Loss)/Profit for the period</b>		<b>(4,776)</b>	593	<b>(7,873)</b>	979
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		(842)	1	(820)	19
Other comprehensive (loss)/ income for the period, net of tax		(842)	1	(820)	19
<b>Total comprehensive (loss)/ income for the period</b>		<b>(5,618)</b>	594	<b>(8,693)</b>	998
<b>(Loss)/Earnings per share</b>					
From continuing operations					
- Basic (cents per share)	6	<b>Rmb(0.64) cents</b>	Rmb0.09 cents	<b>Rmb(1.11) cents</b>	Rmb0.15 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at <b>30 June 2010</b> <i>Rmb'000</i>	(Audited) As at 31 December 2009 <i>Rmb'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		3,787	4,886
Property, plant and equipment, net		781	458
		<b>4,568</b>	5,344
<b>Current assets</b>			
Inventories		4,753	4,922
Trade receivables	8	18,543	20,590
Prepayments and other receivables		6,218	513
Cash and cash equivalents		40,191	5,063
		<b>69,705</b>	31,088
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	9	7,868	11,831
Accruals and other payables		3,077	2,872
Customers' deposits		459	474
Amount due to ultimate holding company	11	12	12
Deferred income		156	241
Amount due to directors		300	301
Loans and other borrowings		-	18,551
		<b>11,872</b>	34,282
<b>Net current assets/(liabilities)</b>		<b>57,833</b>	(3,194)
<b>Total assets less current liabilities</b>		<b>62,401</b>	2,150
<b>Net assets</b>		<b>62,401</b>	2,150
<b>CAPITAL AND RESERVES</b>			
Share capital		7,994	6,827
Reserves		54,407	(4,677)
<b>Capital surplus</b>		<b>62,401</b>	2,150

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) <i>Rmb'000</i>	Share premium (Unaudited) <i>Rmb'000</i>	Revenue reserve (Unaudited) <i>Rmb'000</i>	Cumulative translation adjustment (Unaudited) <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) (Unaudited) <i>Rmb'000</i>	Total (Unaudited) <i>Rmb'000</i>
As at 1 January 2010	6,827	72,651	3,613	5,217	(86,158)	2,150
Loss for the period	-	-	-	-	(7,873)	(7,873)
Other comprehensive loss for the period, net of tax	-	-	-	(820)	-	(820)
Total comprehensive loss for the period	-	-	-	(820)	(7,873)	(8,693)
Issue of ordinary shares during the period	1,167	67,777	-	-	-	68,944
As at 30 June 2010	<u>7,994</u>	<u>140,428</u>	<u>3,613</u>	<u>4,397</u>	<u>(94,031)</u>	<u>62,401</u>
As at 1 January 2009	6,827	72,651	3,613	3,801	(87,460)	(568)
Profit for the period	-	-	-	-	979	979
Other comprehensive income for the period, net of tax	-	-	-	19	-	19
Total comprehensive income for the period	-	-	-	19	979	998
As at 30 June 2009	<u>6,827</u>	<u>72,651</u>	<u>3,613</u>	<u>3,820</u>	<u>(86,481)</u>	<u>430</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>Rmb'000</b>	<i>Rmb'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Net cash outflow from operating activities	<b>(15,155)</b>	(1,736)
Net cash (outflow)/inflow from investing activities	<b>(50)</b>	5
Net cash inflow from financing activities	<b>50,333</b>	118
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>35,128</b>	(1,613)
Cash and cash equivalents at beginning of period	<b>5,063</b>	2,821
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>40,191</b>	1,208
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of Cash and Cash equivalents:		
Cash and bank deposits	<b>40,191</b>	1,208
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# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation and principal accounting policies

The Group's unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financing Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed interim financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective or available for early adoption for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods. The Group has not early adopted any new standard or interpretation that is not yet effective for the current accounting period.

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.

## 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	
	2010	2009	2010	2009
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Sales of software	453	290	762	1,192
Sales of hardware	127	966	564	1,440
Maintenance and other services income	2,688	6,480	5,509	12,732
	<u>3,268</u>	<u>7,736</u>	<u>6,835</u>	<u>15,364</u>

## 3. Other operating income

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Others	6	14	6	49
Interest income	3	3	9	5
Value added tax refund	-	69	303	129
	<u>9</u>	<u>86</u>	<u>318</u>	<u>183</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. (Loss)/Profit before taxation

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

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Depreciation of property, plant & equipment	34	36	470	72
Bank interest	96	127	207	251
	<u>96</u>	<u>127</u>	<u>207</u>	<u>251</u>

#### 5. Taxation

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Business tax ( <i>Note a</i> )	326	309	446	629
	<u>326</u>	<u>309</u>	<u>446</u>	<u>629</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 2010 (six months ended 30 June 2009: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the six months ended 30 June 2010 (six months ended 30 June 2009: 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. (Loss)/Earnings per share

The calculation of the Group's basic (loss)/earnings per share for the three months and six months ended 30 June 2010 is based on the Group's unaudited combined loss attributable to shareholders of approximately Rmb4,776,000 and loss attributable to shareholders of approximately Rmb7,873,000 (three months and six months ended 30 June 2009: profit attributable to shareholders of approximately Rmb593,000 and profit attributable to shareholders of approximately Rmb979,000 respectively) divided by the weighted average number of ordinary shares outstanding for three months and six months ended 30 June 2010 of 755,027,692 shares and 709,367,514 (three and six months ended 30 June 2009: 663,200,000 shares) in issue.

## 7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: 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 30 June 2010 Rmb'000</b>	As at 31 December 2009 Rmb'000
Within 90 days	<b>4,508</b>	9,759
Over 90 days but within 180 days	<b>1,405</b>	3,633
Over 180 days but within 365 days	<b>5,996</b>	3,003
Above 365 days	<b>6,634</b>	4,195
	<b><u>18,543</u></b>	<u>20,590</u>

The normal credit period granted by the Group is on average half year to two years from the date of invoice.

## 9. Trade payables

	<b>As at 30 June 2010 Rmb'000</b>	As at 31 December 2009 Rmb'000
Within 90 days	<b>538</b>	4,271
Over 90 days but within 180 days	<b>2,125</b>	4,409
Over 180 days but within 365 days	<b>2,510</b>	2,613
Above 365 days	<b>2,695</b>	538
	<b><u>7,868</u></b>	<b><u>11,831</u></b>

## 10. Commitments

As of 30 June 2010, the Group did not have any significant authorised or contracted capital commitments (31 December 2009: 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>	
	<b>2010</b>	2009
<i>Note</i>	<b>Rmb'000</b>	Rmb'000

Continuing transactions:

Rental paid to Sing Lee Pharmaceutical Import & Export Co. Limited for lease of office premises	<i>(i)</i>	<b><u>137</u></b>	<b><u>-</u></b>
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		<b>(Unaudited)</b>	(Audited)
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Note</i>	<b>Rmb'000</b>	<i>Rmb'000</i>
Due to Goldcorp Industrial Limited	<i>(ii)</i>	<b><u>(12)</u></b>	<b><u>(12)</u></b>

*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) 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 2010, the Group recorded a total turnover of approximately Rmb6,835,000, representing a decrease of 55.5% as compared to the same period of last year (for the six months ended 30 June 2009: Turnover amounted to approximately Rmb15,364,000).

The Group recorded a loss attributable to shareholders of approximately Rmb7,873,000 for the two quarters, it has changed from profit to loss as compared to the same period of last year (for the six months ended 30 June 2009: profit attributable to shareholders amounted to approximately Rmb979,000). Decrease in turnover is the main reason leading to the change from net profit to net loss.

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 improved.

## **BUSINESS REVIEW**

### **Finance and Banking Business**

The third generation of RUNPOS product of the Group accomplished remarkable progress in the development of platform and various products in this quarter. Positive effects were also recorded in the market and end-user trial work with its strategic partners. Two large banks commenced to adopt the second generation of the product and the upgraded version of the system.

### **FUTURE PROSPECT**

The third generation of RUNPOS products is and will be the key strategic project of the Group for this year and the coming few years, hence there will be a significant increase in human resources, research and development and marketing inputs regarding the project. The Group considers such intensive inputs necessary due to the strategic significance of the project to the Group's long-term development and the formation of its core competitiveness. In this regard, the Group successfully completed a financing activity during the quarter. The analysis on the responses from the market to the financing has shown the market's recognition on RUNPOS product series of the Group.

The Group will strive to concentrate in developing the innovative RUNPOS product series and continue to and reinforce the close cooperation with large clients and the efficiency of implementation. It will also put additional efforts in enhancing the risk control on and management of safety, technology, research and development, marketing and sale, with a particular focus on implementing a stringent supervision and control of risks to ensure the success of the RUNPOS strategy.

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

As at 30 June 2010, the Group had no bank borrowings (31 December 2009: approximately Rmb16,753,000), all represented short term-bank loans repayable within one year with interest bearing at 2.75% over the HIBOR rate.

No interest was capitalized by the Group during the period under review (31 December 2009: Nil).

As at 30 June 2010, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately Rmb40,191,000.

The gearing ratio of the Group, based on total liabilities over total assets, as at 30 June 2010, was approximately 16% (31 December 2009: 99%).

## **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 2010, the Group had 134 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 Rmb5.597 million (30 June 2009: approximately Rmb4.015 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 2010, 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 2010, the Group did not have any material contingent liabilities (31 December 2009: 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 2010, 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		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial interest	287,855,000 <i>(note 1)</i>	-	36.17%
Great Song Enterprises Limited	Corporate interest	287,855,000 <i>(notes 1 and 2)</i>	-	36.17%
Mr. Hung Yung Lai	Corporate interest	287,855,000 <i>(notes 2 and 4)</i>	-	36.17%
Ms. Li Kei Ling	Corporate interest	287,855,000 <i>(notes 2 and 3)</i>	-	36.17%
Mdm. Iu Pun	Family interest	287,855,000 <i>(note 5)</i>	-	36.17%

*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 287,855,000 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 287,855,000 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 287,855,000 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 2010, 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 2010, 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	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Corporate interest	287,855,000 <i>(note 1)</i>	-	36.17%

### Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited <i>(note 2)</i>		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Personal interest	1	-	36.17%

#### 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 2010 composed of 2 ordinary shares. Goldcorp Industrial Limited held 287,855,000 Shares in the Company.

## **SHARE OPTION SCHEME**

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

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. After the listing of the shares on GEM, the total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the shares in issue upon completion of placing, capitalisation issue and say other shares to be issued upon the exercise of the over-allotment option in connection with the listing of the shares on GEM. According to the Scheme, the total number of shares available for issue as at 30 June 2010 is 79,584,000 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.

On 9 October 2007 the Company granted 47,550,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.368 per share to its employees of the Group. Shares of the Company were at closing price of HK\$0.36 immediately before the day on which options were granted.

On 19 January 2010 the Company granted 20,900,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.20 per share to its directors and employees of the Group. Shares of the Company were at closing price of HK\$0.20 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	Number of	Number of	Number of	Number of	Number of
		share options outstanding as at 1 January 2010	share options granted during the period	share options exercised during the period	share options cancelled during the period	share options lapsed during the period	share options outstanding as at 30 June 2010
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	-	-	-	-	3,180,000
Continuous contract employees (other than directors)	8 April 2008 to 8 October 2017	30,300,000	-	-	-	(2,980,000)	27,320,000
Pao Ping Wing	18 July 2010 to 18 January 2020	-	600,000	-	-	-	600,000
Tam Kwok Hing	18 July 2010 to 18 January 2020	-	600,000	-	-	-	600,000
Lo King Man	18 July 2010 to 18 January 2020	-	600,000	-	-	-	600,000
Continuous contract employees (other than directors)	18 July 2010 to 18 January 2020	-	19,100,000	-	-	(420,000)	18,680,000
		<u>33,480,000</u>	<u>20,900,000</u>	<u>-</u>	<u>-</u>	<u>(3,400,000)</u>	<u>50,980,000</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 2010, 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 2010.

## **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 2010 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 2010, 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.

## **EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

After the period ended 30 June 2010, on 4 August 2010 (after trading hours), the Company and Quam Securities Company Limited ("Quam Securities") entered into a Placing Agreement, pursuant to which the Company has appointed Quam Securities as its placing agent to place, on a best effort basis, unlisted warrants (the "Warrants") conferring the right to subscribe up to HK\$95,400,000.00 in aggregate for Shares at an issue price of HK\$0.03 per Warrant. Each Warrant will carry the right to subscribe for one Share at an initial subscription price of HK\$0.60 per Share, subject to adjustment. The subscription right will be exercisable during a period of 18 months from the date of creation and issue of the Warrants.

As at the date of this report, the announcement in respect of the completion of the placing has not yet been published. Please refer to the announcement to be published by the Company soon for details of the completion.

## **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 audit committee</b>	<b>Position in the 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 2010.

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

Hong Kong, 11 August 2010