



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)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2010**

* *For identification purposes 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 higher 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.

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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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 nine months ended 30 September 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 September		Nine months ended 30 September	
		2010 Rmb'000 (Unaudited)	2009 Rmb'000 (Unaudited)	2010 Rmb'000 (Unaudited)	2009 Rmb'000 (Unaudited)
Continuing operations					
Turnover	2	2,197	16,401	9,032	31,765
Cost of sales		(2,852)	(13,472)	(11,128)	(23,160)
Gross (Loss)/Profit		(655)	2,929	(2,096)	8,605
Other operating income	3	583	7	901	190
Distribution costs		(824)	(494)	(2,150)	(1,433)
Administrative expenses		(3,171)	(1,557)	(7,978)	(4,620)
Finance costs		(55)	(123)	(226)	(372)
(Loss)/Profit before taxation		(4,122)	762	(11,549)	2,370
Taxation	4	(69)	(181)	(515)	(810)
(Loss)/Profit for the period from continuing operations		(4,191)	581	(12,064)	1,560
Discontinued operations		-	-	-	-
(Loss)/Profit for the period		(4,191)	581	(12,064)	1,560
Other comprehensive income					
Exchange differences on translating foreign operations		(2,305)	15	(3,125)	34
Other comprehensive (expense)/ income for the period, net of tax		(2,305)	15	(3,125)	34
Total comprehensive (expense)/ income for the period		(6,496)	596	(15,189)	1,594
(Loss)/Earnings per share					
From continuing operations					
- Basic (cents per share)	5	Rmb(0.53) cents	Rmb0.09 cents	Rmb(1.63) cents	Rmb0.24 cents
- Diluted (cents per share)	5	Rmb(0.50) cents	N/A	Rmb(1.60) cents	N/A

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>	Warrant reserve (Unaudited) <i>Rmb'000</i>	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	-	-	-	-	-	(12,064)	(12,064)
Other comprehensive expense for the period, net of tax	-	-	-	(3,125)	-	-	(3,125)
Total comprehensive expense for the period	-	-	-	(3,125)	-	(12,064)	(15,189)
Issue of ordinary shares during the period	1,167	67,777	-	-	-	-	68,944
Issue of warrants	-	-	-	-	4,103	-	4,103
Transaction cost on issue of warrants	-	-	-	-	(318)	-	(318)
As at 30 September 2010	<u>7,994</u>	<u>140,428</u>	<u>3,613</u>	<u>2,092</u>	<u>3,785</u>	<u>(98,222)</u>	<u>59,690</u>
As at 1 January 2009	6,827	72,651	3,613	3,801	-	(87,460)	(568)
Profit for the period	-	-	-	-	-	1,560	1,560
Other comprehensive income for the period, net of tax	-	-	-	34	-	-	34
Total comprehensive income for the period	-	-	-	34	-	1,560	1,594
As at 30 September 2009	<u>6,827</u>	<u>72,651</u>	<u>3,613</u>	<u>3,835</u>	<u>-</u>	<u>(85,900)</u>	<u>1,026</u>

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 financial statements are the same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31 December 2009.

2. Turnover

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Sales of software	600	120	1,362	1,312
Sales of hardware	8	11,921	572	13,361
Maintenance and other services income	1,589	4,360	7,098	17,092
	<u>2,197</u>	<u>16,401</u>	<u>9,032</u>	<u>31,765</u>

3. Other operating income

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	Rmb'000	<i>Rmb'000</i>	Rmb'000	<i>Rmb'000</i>
Others	222	3	228	52
Interest income	354	2	363	7
Value added tax refund	7	2	310	131
	583	7	901	190

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. Taxation

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	Rmb'000	<i>Rmb'000</i>	Rmb'000	<i>Rmb'000</i>
Business tax (<i>Note a</i>)	69	181	515	810
	69	181	515	810

Hong Kong profits tax has not been provided as the Group had no income assessable for profits tax in Hong Kong for the three months and nine months ended 30 September 2010 (three months and nine months ended 30 September 2009: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the three months and nine months ended 30 September 2010 (three months and nine months ended 30 September 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.

5. (Loss)/Earnings per share

			From	From
	From 1 July	From 1 July	1 January	1 January
	2010 to	2009 to	2010 to	2009 to
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>

(Loss)/Earnings

(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share

	<u>(4,191)</u>	<u>581</u>	<u>(12,064)</u>	<u>1,560</u>
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			From	From
	From 1 July	From 1 July	1 January	1 January
	2010 to	2009 to	2010 to	2009 to
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009

Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share

	795,840,000	663,200,000	738,508,425	663,200,000
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Effect of dilutive potential ordinary shares:

Share options issued

by the Company	18,116,134	–	10,133,597	–
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Warrants issued by the Company

	16,007,412	–	5,394,439	–
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Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share

	<u>829,963,546</u>	<u>663,200,000</u>	<u>754,036,461</u>	<u>663,200,000</u>
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6. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the nine months ended 30 September 2010 (the “Review Period”), the Group recorded turnover of approximately RMB9,032,000, adjusted by 72% when compared to the same period of last year (2009: approximately RMB31,765,000).

Due to the decline in overall turnover and increased distribution costs and administrative expenses by 67 % as compared with the same period of last year, the Group recorded a loss attributable to shareholders of approximately RMB12,064,000 during the Review Period (2009: profit attributable to shareholders of approximately RMB1,560,000).

The Group will continue to implement effective cost control measures. As there will be a stronger customer demand for the Group’s software products in the second half of the year, the results of the coming quarter is expected to be improved.

BUSINESS REVIEW

Finance and Banking Business

The Group entered into a four-year and a five-year strategic cooperation agreements with the Yunnan Branch of China UnionPay Co., Ltd and the China UnionPay Co., Ltd. (“China UnionPay”) on 19 August and 25 October 2010 respectively. Meanwhile the Yunnan Project is officially launched on 20 August. Leveraging the leading position of China UnionPay, the bank card association in the PRC, which is engaged in developing and operating the China UnionPay interbank transaction settlement system, as well as setting up global acceptance network for UnionPay cards, the Group believes the China UnionPay is well-positioned to be the leader of the “mobile payment” industry and founder of the united system in the coming years. The long-term strategic cooperation between the Group and China UnionPay in the extensive market of “mobile payment” and “mobile e-commerce” represents the important milestone of the Group in long run.

FUTURE PROSPECT

Starting from this year, the third generation of RUNPOS has become the core project of the “mobile payment” business with China UnionPay. To ensure the smooth implementation of the project, there was significant increase in human resources; research and development; and marketing efforts towards this project, which resulted sustain loss in the quarter. The Group, however, 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. As the results, the Group successfully completed two financing activities. The positive response from the financing activities fully reflected the market recognition towards the Group’s “mobile payment” project.

The Group is committed to developing the innovative RUNPOS products, particularly in the third generation “mobile payment” project, and enhancing closer cooperation with China UnionPay and other major clients in more effective and practical way. It will also put additional efforts in enhancing the risk control on and management of safety, technology, research and development, marketing and sales, with a particular focus on implementing a stringent supervision and control of risks on various capital injections to ensure the success of the transition of the Group’s strategy. Leveraging on the increasing sales of the first and second generation of RUNPOS products, the Group is planning to collaborate these products with the third generation “mobile payment” and “mobile e-commerce” businesses, so as to facilitate the continuous growth of the Group’s core competitiveness.

Private placing of unlisted warrants

On 4 August 2010 (after trading hours), the Company and Quam Securities Company Limited (“Quam”) entered into a placing agreement, pursuant to which the Company has appointed Quam as its agent to place, on a best effort basis, warrants (the “Warrants”) conferring the right to subscribe up to HK\$95,400,000 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\$0.6 per share, subject to adjustment. The subscription right is exercisable during a period of eighteen months from the date of creation and issue of the Warrants. The subscription price and the issue price of HK\$0.63 per share represents the closing price of HK\$0.63 per share as quoted on the Stock Exchange on 4 August 2010, being the date of the Placing Agreement.

Completion of the placing took place on 20 August 2010 in accordance with the terms of the placing agreement. 159,000,000 Warrants had been issued to not less than six places at the issue price of HK\$0.03 per Warrant.

The gross proceeds and the net proceeds derived from the issue of the Warrants are HK\$4,770,000 and approximately HK\$4,400,000 respectively. The Company intended to use such net proceeds as general working capital.

The Company will receive additional HK\$95,400,000 gross proceeds upon exercise in full of the subscription rights attached to the Warrants. The Company intended to use such proceeds as general working capital of the Group. The net price of each share to be issued upon the exercise of the Warrants, taking into account of the issue price of HK\$0.03 per Warrant after deducting the expenses and based on the full exercise of the Warrants, will be approximately HK\$0.627.

Movement of Warrants

The Company has a total of 159,000,000 Warrants outstanding at 30 September 2010 and its movement is as follows:

Date of issue	Outstanding	Issued	Exercised/ lapsed	Outstanding	Subscription period	Subscription price per share
	at 1 January 2010	during the year	during the year	at 30 September 2010		
20 August 2010	-	159,000,000	-	159,000,000	20 August 2010 to 19 February 2012	HK\$0.6

Note:

On 20 August 2010, the Company placed a total of 159,000,000 unlisted Warrants to certain independent third parties at the subscription price of HK\$0.6 each. No Warrants has been exercised during the period from 1 January 2010 to 30 September 2010.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 September 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/underlying shares held		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial interest	287,855,000 (note 1)	-	36.17%
Great Song Enterprises Limited	Corporate interest	287,855,000 (notes 1 and 2)	-	36.17%
Mr. Hung Yung Lai	Corporate interest	287,855,000 (notes 2 and 4)	-	36.17%
Ms. Li Kei Ling	Corporate interest	287,855,000 (notes 2 and 3)	-	36.17%
Mdm. Iu Pun	Family interest	287,855,000 (note 5)	-	36.17%
Ms. Lam Ying Yu	Beneficial interest	60,000,000 (note 6)	-	7.53%

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.
6. Ms. Lam Ying Yu is interested in unlisted warrants of the Company to subscribe for 60,000,000 shares of the Company.

Save as disclosed above, as at 30 September 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 September 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 September 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 September 2010 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.

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.

On 16 August 2010 the Company granted 18,000,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.84 per share to its employees of the Group. Shares of the Company were at closing price of HK\$0.84 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 September 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
Continuous contract employees (other than directors)	15 February 2011 to 15 August 2020	-	18,000,000	-	-	(9,010,000)	8,990,000
		<u>33,480,000</u>	<u>38,900,000</u>	<u>-</u>	<u>-</u>	<u>(12,410,000)</u>	<u>59,970,000</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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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.

AUDIT COMMITTEE

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

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

The audit committee has reviewed and commented in the Company's quarter report for the nine months ended 30 September 2010.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 10 November 2010