



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

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This announcement, for which the directors of Sing Lee Software (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only.

RESULTS

The board of Directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the audited combined results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

(Expressed in Renminbi)

	<i>Note</i>	2007 RMB’000	2006 <i>RMB’000</i>
Revenue	5	29,719	21,377
Cost of sales		(18,976)	(17,290)
Gross profit		10,743	4,087
Other operating income	6	3,712	1,240
Distribution costs		(3,105)	(4,506)
Administrative expenses		(8,609)	(14,509)
Impairment loss on intangible assets		–	(1,192)
Profit/(loss) from operations		2,741	(14,880)
Net finance costs	7	(1,546)	(1,271)
Profit/(loss) before taxation	8	1,195	(16,151)
Taxation	9	–	–
Profit/(loss) for the year attributable to equity holders of the Company		1,195	(16,151)
		RMB (cents)	<i>RMB (cents)</i>
Earnings/(loss) per share	10		
Basic		0.20	(2.68)
Diluted		N/A	N/A

BALANCE SHEETS

As at 31 December 2007

(Expressed in Renminbi)

		The Group		The Company	
		2007	2006	2007	2006
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment		828	1,021	1	6
Intangible assets		6,104	4,595	—	—
Investments in subsidiaries		—	—	—	—
		6,932	5,616	1	6
Current assets					
Inventories		6,091	7,718	5,750	7,318
Trade and other receivables		11,036	7,904	9,977	6,592
Cash and cash equivalents		8,628	5,922	730	123
		25,755	21,544	16,457	14,033
Current liabilities					
Loans and other borrowings		25,201	21,315	25,201	19,315
Trade and other payables		18,860	17,465	9,232	9,581
Deferred income		670	2,665	—	—
		(44,731)	(41,445)	(34,433)	(28,896)
Net current liabilities		(18,976)	(19,901)	(17,976)	(14,863)
Total assets less current liabilities		(12,044)	(14,285)	(17,975)	(14,857)
Non-current liabilities					
Loans and borrowings		—	(268)	—	(268)
Net liabilities		(12,044)	(14,553)	(17,975)	(15,125)
Capital and reserves					
Share capital		6,271	6,271	6,271	6,271
Reserves	11	(18,315)	(20,824)	(24,246)	(21,396)
Capital deficiency		(12,044)	(14,553)	(17,975)	(15,125)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

(Expressed in Renminbi)

	Attributable to equity holders of the Company					
	Share capital	Share premium	Statutory surplus reserve	Exchange reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	—	—	—	299	—	299
Loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(16,151)</u>	<u>(16,151)</u>
At 31 December 2006 and 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	—	—	—	1,314	—	1,314
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,195</u>	<u>1,195</u>
At 31 December 2007	<u>6,271</u>	<u>58,148</u>	<u>3,613</u>	<u>3,144</u>	<u>(83,220)</u>	<u>(12,044)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

(Expressed in Renminbi)

1. Reporting entity

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is principally engaged in the businesses of development, manufacture and sale of software products, sale of related hardware products and the provision of software-related technical support services.

2. Basis of preparation

a) Material uncertainties relating to the going concern basis

At 31 December 2007, the Group had consolidated net current liabilities of approximately RMB18,976,000 and net liabilities of approximately RMB12,044,000. At 31 December 2007, the Company had net current liabilities of approximately RMB17,976,000 and net liabilities of approximately RMB17,975,000.

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

(i) Attainment of profitable and positive cash flow operations

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

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

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

(iii) Additional external funding

The directors are considering various alternatives to strengthen the capital base of the Company and the Group through various fund raising exercises (see note 33 of the annual report).

In the opinion of the directors, in light of the measures taken to date, together with expected results of other measures in progress, the Company and the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, and it is reasonable to expect the Company and the Group to return to a commercially viable going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Company's and the Group's financial and liquidity position as at 31 December 2007.

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

b) Statement of compliance

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

3. New and revised IFRSs and IFRIC interpretations

The International Accounting Standards Board ("IASB") has issued a number of new and revised IFRS and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, "Financial instruments: Disclosures" and the amendment to IAS 1, "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 27 of the annual report.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 24 of the annual report.

The Group has also adopted the following new and revised IFRIC interpretations during the year. The adoption of these interpretations has not led to any changes in the Group's accounting policies. These are:

IFRIC 7	Applying the Restatement Approach under IAS29, Financial Reporting in Hyperinflationary Economies;
IFRIC 8	Scope of IFRS 2;
IFRIC 9	Reassessment of Embedded Derivatives; and
IFRIC 10	Interim Financial Reporting and Impairment.

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements. The following interpretations were in issue but not yet effective:

IFRIC 11	IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007);
IFRIC 12	Service Concession Arrangements (effective 1 January 2008); and
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretation is expected to be in the year of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. Segment reporting

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

a) Business segment

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

b) Geographical segment

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

5. Revenue

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Sale of computer software	3,577	6,986
Sale of computer hardware	10,015	6,121
Provision for maintenance and other services	16,127	8,270
	<u>29,719</u>	<u>21,377</u>

6. Other operating income

	The Group	
	2007	2006
	RMB'000	RMB'000
Value added tax refunds	322	591
Government grants	80	396
Rental income from subletting properties under operating lease	66	196
Sundry income	2,064	31
Gain on disposal of property, plant and equipment	–	26
Exchange gain	1,180	–
	<u>3,712</u>	<u>1,240</u>

7. Net finance costs

	The Group	
	2007	2006
	RMB'000	RMB'000
Interest income on bank deposits	(12)	(15)
Interest on bank advances and other borrowings		
wholly repayable within five years	1,527	1,286
Others	31	–
Finance expenses	1,558	1,286
	<u>1,546</u>	<u>1,271</u>

8. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging the following:

	The Group	
	2007	2006
	RMB'000	RMB'000
Research and development costs		
– amortisation of development costs	–	212
– current year expenditure not qualified as intangible assets	–	1,244
	–	1,456
Staff costs (including directors' remuneration)		
– salaries, wages and other benefits	5,913	8,419
– contributions to defined contribution plans	945	898
	6,858	9,317
Auditors' remuneration	293	528
Depreciation of property, plant and equipment	204	1,914
Operating lease charges: minimum lease payments		
– property rental	1,314	1,896
Impairment loss on other receivables	–	1,722
Impairment loss on trade receivables	–	650
Cost of inventories sold and services rendered [#]	18,976	17,290
Amortisation of software	–	120
Impairment loss on intangible assets		
– development costs	–	1,192

[#] Cost of inventories sold and services rendered includes staff costs of approximately RMB2,134,813 (2006: RMB3,489,000), depreciation expenses of approximately RMB41,501 (2006: RMB291,000) and property rental expenses of approximately RMB28,200 (2006: Nil) that are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. Taxation

a) *Overseas income tax*

The Company is incorporated in Bermuda and is exempt from taxation in Bermuda until 28 March 2016. The Company's subsidiary established in the British Virgin Islands (the "BVI") is incorporated under the International Business Companies Acts of the BVI and, accordingly, is exempt from payment of BVI income taxes.

b) *Hong Kong profits tax*

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the years ended 31 December 2007 and 2006.

c) *PRC enterprise income tax*

	2007 RMB'000	2006 RMB'000
PRC enterprise income tax	<u>—</u>	<u>—</u>

Foreign investment enterprises that incorporated in the Advance Technology Industry Development Area in Hangzhou City and Zhuhai City are entitled to full exemption from income tax for two years with effect from its first profitable year after offsetting prior years' losses and a 50% reduction in income tax for the following three years thereafter. Foreign investment enterprises are also exempted from income tax in years with financial loss.

The reconciliation of statutory tax rate to effective tax rate is as follows:

	2007 RMB'000	2006 RMB'000
Accounting profit/(loss) before taxation	<u>1,195</u>	<u>(16,151)</u>
Tax at the statutory tax rate (33%)	<u>394</u>	<u>(5,329)</u>
(Set-off against)/absorbed into tax losses	<u>(394)</u>	<u>5,329</u>
Tax expense	<u>—</u>	<u>—</u>

There was no significant unprovided deferred taxation for the year ended 31 December 2007 (2006: Nil).

10. Earnings/(loss) per share

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity holders of the Company of RMB1,195,000 profit (2006: RMB16,151,000 loss) and the weighted average of 603,000,000 (2006: 603,000,000) ordinary shares in issue during the year.

b) Diluted earnings/(loss) per share

No disclosure of diluted earnings/(loss) per share for the years ended 31 December 2007 and 31 December 2006 is shown as the Company's outstanding share options have antidilutive effect.

11. Reserves

a) The Group

	Attributable to equity holders of the Company				Total RMB'000
	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2006	58,148	3,613	1,531	(68,264)	(4,972)
Loss for the year	—	—	—	(16,151)	(16,151)
Exchange difference on translation of financial statements of foreign entities	—	—	299	—	299
At 31 December 2006 and 1 January 2007	58,148	3,613	1,830	(84,415)	(20,824)
Profit for the year	—	—	—	1,195	1,195
Exchange difference on translation of financial statements of foreign entities	—	—	1,314	—	1,314
At 31 December 2007	<u>58,148</u>	<u>3,613</u>	<u>3,144</u>	<u>(83,220)</u>	<u>(18,315)</u>

b) The Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006	58,148	4,718	–	(28,083)	34,783
Loss for the year	–	–	–	(56,179)	(56,179)
At 31 December 2006 and 1 January 2007	58,148	4,718	–	(84,262)	(21,396)
Loss for the year	–	–	–	(4,351)	(4,351)
Exchange difference on translation of financial statements of foreign entities	–	–	1,501	–	1,501
At 31 December 2007	<u>58,148</u>	<u>4,718</u>	<u>1,501</u>	<u>(88,613)</u>	<u>(24,246)</u>

PRC accounting rules and regulations required the subsidiaries registered in the PRC to provide for staff and worker's bonus and welfare fund, which are appropriated from net profit after tax, after offsetting prior years' losses, as determined under PRC accounting rules and regulations, but before distribution of a dividend to shareholders. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the directors of such subsidiaries. The staff and worker's bonus and welfare fund can only be utilized on special bonuses or capital items for the collective benefits of the employees of the individual subsidiary such as the construction of dormitories, canteen and other staff welfare facilities. The fund is non-distributable other than in liquidation. When the relevant assets are disposed of or written off, the original transfers from the fund are reversed. Under IFRSs, appropriations to the fund have been included as expenses and the balance of the fund as a liability of the Group. The directors of such subsidiaries resolved not to make any appropriation to the fund for the years ended 31 December 2007 and 2006.

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

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

As at 31 December 2007 and 2006, the Company had no reserve available for distribution to equity holders of the Company.

DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: HK\$Nil).

BUSINESS REVIEW AND ANALYSIS

This year is the first year that demonstrates the immediate effect of the Group's success in strategic transformation. The major projects and products transformation of the Group not only experienced success in the pilot projects in three provinces-Shandong, Zhejiang and Yunnan, but had also commenced the experimental projects in Shanghai, Hebei, Shanxi and Xinjiang. Both of the two strategic cooperation customers of the Group have significant leading positions in the financial market of China. The Group strongly believes that, with our cooperative projects achieved continual success and growth, these two major customers will sign long-term cooperative agreements with us, enabling both parties to sustain prolonged win-win situation and maintain the continuous development and then other major customers will also enter into new strategic cooperation with us. The latest generation of professional technical platform and business model, which was developed after a transformation of more than three years, has significant diversity and comprehensiveness. This is the result of the extensive experience gained in China financial sector throughout 15 years and in-depth understanding of the industry. After the entry of WTO, China financial market had a need to be on the same track with the world. This led to an innovation in relevant businesses, allowing the industry and the market to have a stronger viability and the ability of risk-aversion. Through the practice over the past year, the management of various levels, the technology research and development team and all staff have made remarkable progress in the aspects of team spirit, technical level and business capability.

Banking Business

The bank capital risk management product of the Group, a core business in banking industry, continued to top the market share amongst the domestic players. The management and technical team of this business established a brand for the Group, and was well-recognized and praised by a number of major banks. It is expected that more banks and financial institutions will engage in such business with us in the next few years, providing the Group a long-term and stable revenue. The newly transformed business and products related to payment industry also generated an encouraging income. In particular, both the significant proportion that the income from the cooperation with the two major customers accounted and the sales volume of the relevant products have substantially increased as compared to the previous year.

Securities Business

After an in-depth discussion and strategic planning with a number of large and medium-scale securities dealers, we set a position for the institutions and individual investors in China securities market and the new generation of products in the unpredictable market. We have also developed new products with an US company, of which the products are expected to launch in the third quarter of 2008. The Group believes that the new product launch will be recognized by the securities dealers, bringing the Group a new source of profit growth.

Education Business

The Bank-college Express Charging Administration System and other bank-campus products of the Group has achieved a very high market share in Zhejiang. We are planning to introduce the products to the universities, colleges and education institutes in other provinces and to further enhance our cooperation with focus customers by gradually transforming the business model from cooperation in existing products and projects, to providing innovative information services, ensuring a sustainable cash flow for the Company.

Future Outlook

The Group will continue to strengthen the research and development resources and the marketing efforts in the two core projects and products – bank capital risk control and information management of payment industry. The management and technical team of the Group made their greatest efforts for another year, achieving splendid progress and performance in both the strategy and tactics of market, customers and technology. It is expected that the two strategic products will maintain their leading positions in the market in the next three years. Given the two strategic partners of the Group have been increasing their investment under our cooperation, the stable income and long-term growth of cash flow of the Group will be increased remarkably. Other major customers also showed their interest in these two products of the Group and are expected to commence formal negotiation with the Group in the near future.

During the three-year transformation, the Group allocated more resources in human resources and technical research and development; however, the return of these projects to the Group could only be recorded in separate years. The Group considered the time difference between the investment and return is in line with the market discipline and worth proceeding. The successful turnaround from net loss to net profit of the Group during the year proved the Group succeeded in transformation and the market potential is certain and huge.

The Group will continue to step up its efforts in implementing the plan for increasing income and reducing cost. To take pre-emption measures against any risk, the Group will also further optimize the risk monitoring and control policies and enhance the efficiency of the prior-supervision and supervision.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

For the year ended 31 December 2007 ("the financial year"), the Group recorded a total turnover of approximately RMB29,719,000, representing an increase of 39% as compared to last year (last year turnover were approximately RMB21,377,000).

Turnover of the Group comprises of:

	Turnover	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software	3,577	6,986
Sales of hardware	10,015	6,121
Maintenance and other services income	16,127	8,270
	<u>29,719</u>	<u>21,377</u>

The Group recorded a profit attributable to shareholders of approximately RMB1,195,000 for the financial year, a significant change from net loss to net profit as compared to last year (net loss for last year was approximately RMB16,151,000). Increase in turnover is one of the factors leading to the change from net loss to net profit. It should also be attributable to successful cost control for the financial year.

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

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2007, the Group's bank loans amounted to approximately RMB18 million (2006: RMB17 million) bear interest at rates of 5.75% to 8% per annum.

No interest was capitalized by the Group during the year (2006: nil).

As at 31 December 2007, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB8.6 million.

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2007 was approximately 137% (2006: 154%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

SEGMENTAL INFORMATION

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

EMPLOYEE INFORMATION

As at 31 December 2007, the Group had 80 employees, including both the PRC and Hong Kong employees. Remuneration and bonus policy are basically determined by the performance of the individual employees and financial results of the Group. Total staff costs for the year amounted to approximately RMB6.9 million.

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

CHARGE ON GROUP ASSETS

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

CONTINGENT LIABILITIES

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

FIVE YEARS FINANCIAL SUMMARY OF THE GROUP

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000	Year ended 31 December 2005 RMB'000	Year ended 31 December 2004 RMB'000	Year ended 31 December 2003 RMB'000
Turnover	<u>29,719</u>	<u>21,377</u>	<u>11,276</u>	<u>40,303</u>	<u>37,848</u>
(Loss)/Profit attributable to shareholders	<u>1,195</u>	<u>(16,151)</u>	<u>(37,221)</u>	<u>(2,346)</u>	<u>(31,667)</u>
Total assets	32,687	27,160	41,894	66,873	80,559
Total liabilities	<u>(44,731)</u>	<u>(41,713)</u>	<u>(40,595)</u>	<u>(28,631)</u>	<u>(39,970)</u>
Net (liabilities)/assets	<u>(12,044)</u>	<u>(14,553)</u>	<u>1,299</u>	<u>38,242</u>	<u>40,589</u>

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2007 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	49%
– five largest suppliers combined	97%

Sales

– the largest customer	13%
– five largest customers combined	39%

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in GEM Listing Rules 5.48 to 5.67. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by Directors.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2007 have been reviewed by the Audit Committee before recommending it to the Board for approval.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 20 March 2008

The Board Comprises of:

Hung Yung Lai (*Executive Director*)
Cui Jian (*Executive Director*)
Xu Shu Yi (*Executive Director*)
Pao Ping Wing (*Independent Non-Executive Director*)
Tam Kwok Hing (*Independent Non-Executive Director*)
Lo King Man (*Independent Non-Executive Director*)

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its posting.