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Global Link

國 聯 通 信 控 股 有 限 公 司

**Global Link Communications Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8060)

**Interim Report 2011**

## **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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## **HIGHLIGHTS**

Turnover for the six months ended 30 September 2011 was approximately HK\$42,531,000, representing a 27% decrease from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company for the six months ended 30 September 2011 was approximately HK\$6,338,000, representing a 55% decrease from that of the Last Corresponding Period.

## **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

The board of directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (“**Global Link**” or the “**Group**”) for the three months and the six months ended 30 September 2011 together with the unaudited comparative figures for the corresponding period in 2010 (“**Last Corresponding Period**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 30 September		For the six months ended 30 September	
		2011	2010	2011	2010
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
	<i>Notes</i>				
<b>Revenue</b>	<i>2 &amp; 4</i>	<b>19,917</b>	29,793	<b>42,531</b>	57,986
Cost of sales		<u>(12,787)</u>	<u>(15,702)</u>	<u>(27,656)</u>	<u>(31,983)</u>
 Gross profit		 <b>7,130</b>	 14,091	 <b>14,875</b>	 26,003
Other income		1,228	1,259	2,819	1,304
Selling expenses		(2,187)	(2,257)	(4,513)	(3,972)
Administrative expenses		(3,021)	(4,728)	(5,350)	(6,762)
Finance costs		<u>(108)</u>	<u>(84)</u>	<u>(249)</u>	<u>(87)</u>
 <b>Profit before taxation</b>	<i>3</i>	 <b>3,042</b>	 8,281	 <b>7,582</b>	 16,486
Income tax	<i>5</i>	<u>(835)</u>	<u>(1,695)</u>	<u>(1,723)</u>	<u>(3,140)</u>
 <b>Profit for the period</b>		 <b><u>2,207</u></b>	 6,586	 <b><u>5,859</u></b>	 13,346
 <b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		<u>-</u>	<u>-</u>	<u>2,190</u>	<u>1,002</u>
 <b>Total comprehensive income for the period</b>		 <b><u>2,207</u></b>	 6,586	 <b><u>8,049</u></b>	 14,348
 <b>Profit attributable to:</b>					
Equity shareholders of the Company		2,568	6,954	6,338	14,031
Non-controlling interests		<u>(361)</u>	<u>(368)</u>	<u>(479)</u>	<u>(685)</u>
		 <b><u>2,207</u></b>	 6,586	 <b><u>5,859</u></b>	 13,346
 <b>Total comprehensive income attributable to:</b>					
Equity shareholders of the Company		2,568	6,954	8,528	15,033
Non-controlling interests		<u>(361)</u>	<u>(368)</u>	<u>(479)</u>	<u>(685)</u>
		 <b><u>2,207</u></b>	 6,586	 <b><u>8,049</u></b>	 14,348
 <b>Earnings per share (in HK cents):</b>	<i>7</i>				
- Basic		<u>0.27</u>	<u>0.76</u>	<u>0.66</u>	<u>1.66</u>
 - Diluted		 <u>0.27</u>	 0.76	 <u>0.66</u>	 1.65

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2011 (Unaudited) <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	3,389	2,984
<b>Current assets</b>			
Inventories		4,137	8,251
Trade and other receivables	9	108,987	90,773
Deposits and prepayments		3,974	3,559
Cash and bank balances		35,339	44,418
		152,437	147,001
<b>Current liabilities</b>			
Interest-bearing borrowings – secured		4,570	10,925
Trade and other payables	10	22,075	19,513
Provision for taxation	5	8,089	6,504
		34,734	36,942
<b>Net current assets</b>		117,703	110,059
<b>Net assets</b>		121,092	113,043
<b>Capital and reserves</b>			
Equity attributable to equity shareholders of the Company			
Share capital		9,580	9,580
Reserves		113,838	105,310
		123,418	114,890
Non-controlling interests		(2,326)	(1,847)
<b>Total equity</b>		121,092	113,043

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Net cash (used in) from operating activities	(4,230)	(22,308)
Net cash (used in) investing activities	(684)	(425)
Net cash (used in)/generated from financing activities	<u>(6,355)</u>	<u>44,298</u>
Net (decrease)/increase in cash and cash equivalents	(11,269)	21,565
Cash and cash equivalents at 1 April	44,418	16,966
Effect of foreign exchange rate changes	<u>2,190</u>	<u>1,002</u>
Cash and cash equivalents at 30 September	<u><u>35,339</u></u>	<u><u>39,533</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital (unaudited) <i>HKS'000</i>	Share premium (unaudited) <i>HKS'000</i>	Merger reserve (unaudited) <i>HKS'000</i> <i>(note a)</i>	Exchange reserve (unaudited) <i>HKS'000</i>	Share option reserve (unaudited) <i>HKS'000</i>	Retained profits (unaudited) <i>HKS'000</i>	Statutory reserves (unaudited) <i>HKS'000</i> <i>(note b)</i>	Total (unaudited) <i>HKS'000</i>	Non- controlling interests (unaudited) <i>HKS'000</i>	Total equity (unaudited) <i>HKS'000</i>
As at 1 April 2010	7,775	25,498	2,135	1,979	1,195	2,559	5,649	46,790	(399)	46,391
Issue of new shares	1,550	34,102	-	-	-	-	-	35,652	-	35,652
Issue of shares upon exercise of share option	255	665	-	-	-	-	-	920	-	920
Total comprehensive income for the period	-	-	-	1,002	-	14,031	-	15,033	(685)	14,348
Transfer to statutory reserves	-	-	-	-	-	(1,774)	1,774	-	-	-
As at 30 September 2010	<u>9,580</u>	<u>60,265</u>	<u>2,135</u>	<u>2,981</u>	<u>1,195</u>	<u>14,816</u>	<u>7,423</u>	<u>98,395</u>	<u>(1,084)</u>	<u>97,311</u>
As at 1 April 2011	<u>9,580</u>	<u>58,652</u>	<u>2,135</u>	<u>5,858</u>	<u>1,195</u>	<u>31,821</u>	<u>5,649</u>	<u>114,890</u>	<u>(1,847)</u>	<u>113,043</u>
Total comprehensive income for the period	-	-	-	2,190	-	6,338	-	8,528	(479)	8,049
As at 30 September 2011	<u>9,580</u>	<u>58,652</u>	<u>2,135</u>	<u>8,048</u>	<u>1,195</u>	<u>38,159</u>	<u>5,649</u>	<u>123,418</u>	<u>(2,326)</u>	<u>121,092</u>

*Note:*

- (a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from group reorganisation in 2002.
- (b) Statutory reserves comprise statutory surplus reserve and statutory welfare reserve fund of subsidiary in the People's Republic of China (the "PRC").

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

### 2. REVENUE

Revenue, which is also the Group's turnover, presents net of value-added tax, trade discounts and returns.

### 3. PROFIT BEFORE TAXATION

Profit before tax is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	306	144	460	342
Minimum lease payments under operating lease – land and buildings	432	138	739	276
Staff costs including directors' emolument	3,039	2,720	6,180	4,943

### 4. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the Group's operating segments are organised and structured according to the geographical locations of the Group's customers.



The following table presents the Group's segment profits:

	PRC		Hong Kong		Elimination		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE								
External sales	42,467	56,735	64	1,251	-	-	42,531	57,986
Inter-segment sales*	5,271	-	-	331	(5,271)	(331)	-	-
	<u>47,738</u>	<u>56,735</u>	<u>64</u>	<u>1,582</u>	<u>(5,271)</u>	<u>(331)</u>	<u>42,531</u>	<u>57,986</u>
RESULT								
Segment result	<u>13,586</u>	<u>25,487</u>	<u>9</u>	<u>115</u>	-	-	<u>13,595</u>	<u>25,602</u>
Unallocated corporate expenses							(8,832)	(10,420)
Interest income							196	34
Other unallocated income							<u>2,623</u>	<u>1,270</u>
Profit before taxation							7,582	16,486
Income tax							<u>(1,723)</u>	<u>(3,140)</u>
Profit for the period							5,859	13,346
Non-controlling interests							<u>479</u>	<u>685</u>
Profit attributable to equity shareholders of the Company							<u>6,338</u>	<u>14,031</u>

\* *Inter-segment sales are charged on basis mutually agreed between the segments.*

The following is analysis of the Group's revenue from its major products and services:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Supply, development and integration of message communication systems	698	268
Supply, development and integration of passenger information management system	41,514	57,718
Electricity monitoring system	<u>319</u>	<u>-</u>
	<u>42,531</u>	<u>57,986</u>

## 5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the six months ended 30 September 2011 of the individual companies within the Group arising in Hong Kong. No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit for the six months ended 30 September 2011 (2010: Nil).

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the PRC Enterprise Income Tax Law (the "New EIT Law"). Which has become effective from 1 January 2008. According to the New EIT Law, the Company's subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") has been subject to the unified EIT rate of 25%. However, on 16 December 2008, Guangzhou GL was approved as a high and new technology enterprise and allowed a favorable EIT rate of 15% for three years. EIT tax charge for the six months ended 30 September 2011 was HK\$1,723,000 (2010: HK\$3,140,000).

There was no significant unprovided deferred taxation for the six months ended 30 September 2011.

## 6. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2011 (2010: Nil).

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the six months ended 30 September 2011 of approximately HK\$6,338,000 (2010: HK\$14,031,000) and the weighted average number of approximately 958,030,000 ordinary shares (2010: 844,089,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	'000
Issued ordinary shares at 1 April	<b>958,030</b>	844,089
Effect of new shares issued	-	-
Effect of share options exercised	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 September	<b><u>958,030</u></b>	<b><u>844,089</u></b>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the six months ended 30 September 2011 of approximately HK\$6,338,000 (2010: HK\$14,031,000) and the weighted average number of approximately 963,110,000 ordinary shares (2010: 849,480,000 ordinary shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	<b>2011</b> <b>(Unaudited)</b> <b>'000</b>	2010 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>958,030</b>	844,089
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	<b>5,080</b>	5,391
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<b><u>963,110</u></b>	<b><u>849,480</u></b>

**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Six months ended</b> <b>30 September 2011</b> <b>(Unaudited)</b> <i>HK\$'000</i>
Opening balance	<b>2,984</b>
Additions	<b>900</b>
Disposals	<b>(129)</b>
Depreciation	<b>(460)</b>
Written back on disposals	<b>(67)</b>
Exchange realignment	<b>161</b>
Closing balance	<b><u>3,389</u></b>

**9. TRADE AND OTHER RECEIVABLES**

	<b>As at</b> <b>30 September</b> <b>2011</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2011 (Audited) <i>HK\$'000</i>
Trade receivables	<b>104,467</b>	89,720
Other receivables	<b>1,228</b>	1,053
Bills receivables	<b>3,292</b>	-
	<b><u>108,987</u></b>	<b><u>90,773</u></b>

Details of the aging analysis of trade receivables are as follows:

	<b>As at 30 September 2011 (Unaudited) HK\$'000</b>	As at 31 March 2011 (Audited) HK\$'000
Not yet due	7,577	14,742
Between 0 to 90 days	22,217	27,443
Between 91 to 180 days	25,602	26,081
Between 181 to 365 days	45,776	20,669
Between 1 to 2 years	3,295	785
	<u>104,467</u>	<u>89,720</u>

Customers are generally granted with credit terms of 30 days to 90 days.

#### 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2011 (Unaudited) HK\$'000</b>	As at 31 March 2011 (Audited) HK\$'000
Trade payables	9,122	9,406
Other payables	12,806	10,088
Deposits received from customers	147	19
	<u>22,075</u>	<u>19,513</u>

Details of the aging analysis of trade payables are as follows:

	<b>As at 30 September 2011 (Unaudited) HK\$'000</b>	As at 31 March 2011 (Audited) HK\$'000
Between 0 to 90 days	1,443	1,620
Between 91 to 180 days	743	34
Between 181 to 365 days	712	612
Between 1 to 2 years	5,413	4,674
Over 2 years	811	2,466
	<u>9,122</u>	<u>9,406</u>

## 11. COMMITMENTS

As at 30 September 2011, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>As at 30 September 2011 (Unaudited) HK\$'000</b>	As at 31 March 2011 (Audited) HK\$'000
Not later than one year	1,275	1,190
In second to fifth years inclusive	2,228	2,994
	<b>3,503</b>	<b>4,184</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

During the period, few accidents have arose in the operation of the PRC railway transportation, that caused high concern from the public regarding the operation management and passenger safety. Railway transportation operation companies and train manufacturers have placed train safety and the quality control of related products at high priority level. At the same time, they have slowed down the initial planned production, manufacturing, train delivery as well as lines opening schedules. The Group was affected by these adjustments and correspondingly postponed its products delivery schedules.

Coping with the industry's planned adjustment and future development trend, the Group has consolidated its resources and the reality, mainly focusing on:

1. Strengthening corporate brand building, utilising its good result in the industry to continuously develop its market. The Group has newly signed several large contracted sum supplying contracts in cities including Beijing, Guangzhou, Shengzhen, Wuhan and Haerbin. The sales force have activity developed the market in new cities and overseas, fully utilized the Group's advantage from self-owned intellectual properties, provided new technical solutions to railway companies and integrated companies. It will secure the Group's competitive edge for new contracts to be signed in the coming months.
2. Cooperating with the request from China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR"), the Group has implemented strict quality control in the areas of research and development, routine testing, supplier selection, production and project services. Following the IRIS authentication, the Group has promoted the overall management enhancement. Based on that, the Group has compared and analysis each system of the Group, formulated the corresponding controlling guideline and actualized target.

3. Continuing to strengthen new product development. Aiming at the safety of train operation, the Group has broadly utilized the new technology to develop intellectual system in train lines, providing a more fully security measure for operation companies. The Group will also develop a new generation of system solutions in accordance with operation companies' unique demand.

The PRC railway transportation construction, after several years huge investment, has developed the industry in a high speed, and also brought into management capability and quality control issues. The Directors believe that such issues will be resolved step by step following the system reform of relevant departments and improved capability. With the progress of urbanization and the implementations of low carbon economic, the Directors expect that the demand from the society regarding the industry still high.

The Group believe by persist in ancentration focusing and continuous creativity, will have room for continuous development.

### **Financial review**

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK\$42,531,000, a 27% decrease comparing with that of Last Corresponding Period. Gross profit at approximately HK\$14,875,000 with gross margin at 35%. Net profit attributable to equity shareholders of the Company for this period was approximately HK\$6,338,000, a 55% decrease comparing with that of Last Corresponding Period.

During the period, CSR and CNR have slowed down their production plan to strengthen train safety and the quality of related outfit products, and caused a corresponding delay of the Group's product delivery schedule which has resulted in a decrease in the Group's turnover.

With its expending underground railway customers base and enhanced after sales services, the Group has increased technician resources which resulted in the increase of related expenses.

To further enhance the research and development work for several supply contracts with higher contracted sum newly signed with Beijing, Guangzhou, Shenzhen, Wuhan and Haerbin, the Group has increased the number of research and development staff to strengthen the effect and caused the increase in research and development expenses.

The Group continues to enhance its market development and promotion and keeps on business and technical communication with train manufacturers and railway companies. The increase in selling expenses is mainly caused by the expended sales team through increased in the number of sales staff.

The decrease in gross profit margin is caused by the decrease in turnover and increase in research and development expenses.

### **Capital structure**

The Group carried out prudent financial policy, surplus cash is deposited in bank to finance operation and investments. Management will review the financial forecast of the Group on a regular basis during the normal course of business. As at 30 September 2011, the Group had a total cash and bank balances, amounted to approximately HK\$35,339,000.

### **Employee information**

As at 30 September 2011, the Group had 193 employees (2010: 142 employees), 185 and 8 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2011, staff cost including Directors' remuneration was approximately HK\$6,180,000 (2010: approximately HK\$4,943,000).

### **Liquidity, financial resources and gearing**

As at 30 September 2011, the Group had net current assets of approximately HK\$117,703,000, of which approximately HK\$35,339,000 were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

### **Contingent liabilities**

As at 30 September 2011, the Group had no material contingent liabilities.

Save as disclosed hereof, the information in relation to those matters set out in Rule 18.41 of the GEM Listing Rules has not changed materially from the information disclosed in the most recent published annual report of the Company.

## DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, so far as is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or 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 the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors and chief executives, if any, were as follows:

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Ma Yuanguang	Company	Beneficial owner	175,773,600 ordinary shares Long position	18.35%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	8.28%
		Beneficial owner	8,889,000 ordinary shares Long position	0.93%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.01%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note 1)	0.29%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%



*Notes:*

1. Share options to subscribe for 2,778,000 shares of the Company were granted to Wing Kee Eng, Lee pursuant to the Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted and approved by the shareholders of the Company on 24 October 2002.
2. Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2011, so far as is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any 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 the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 September 2011, so far as is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% 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 members of the Group:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholding</b>
Leung Kin Man Kenny	Beneficial owner	49,130,000 ordinary shares Long position	5.13%

Save as disclosed above, as at 30 September 2011, so far as is known to the Directors, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% 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 members of the Group, or any options in respect of such capital.

## SHARE OPTION SCHEMES

The Group currently operates two share option schemes, namely the Pre-IPO Share Option Scheme and Share Option Scheme (as defined below).

Pursuant to the Pre-IPO Share Option Scheme, the Directors and certain participants have been granted options to subscribe for shares of the Company at a subscription price of HK\$0.036 per share, representing 10% of the placing price of the shares of the Company as at 13 November 2002, details of which are set out as follows:

Name of grantee	Date of grant	Number of share options granted	Number of share options under the Pre-IPO Share Option Scheme			Outstanding as at 30 September 2011
			Outstanding as at 1 April 2011	Lapsed during the period under review	Exercised during the period under review	
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	-	-	-	-
Hu Zhi Jian	24 October 2002	8,889,000	-	-	-	-
<i>Non-executive Director</i>						
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	-	-	2,778,000
<i>Independent non-executive Directors</i>						
Hu Tiejun	24 October 2002	833,000	-	-	-	-
Lu Ting Jie	24 October 2002	833,000	-	-	-	-
Advisers/consultants	24 October 2002	9,054,000	2,470,500	-	-	2,470,500
Other employees of the Group	24 October 2002	3,360,000	-	-	-	-
Others ( <i>Note</i> )	24 October 2002	21,468,000	389,000	-	-	389,000
Total		<u>57,771,000</u>	<u>5,637,500</u>	<u>-</u>	<u>-</u>	<u>5,637,500</u>

### *Note:*

These refer to the former employees of the Group.

Under the terms of the share option scheme (the “Share Option Scheme”) adopted by the Company on 24 October 2002, the Directors may at their discretion grant options to participants to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group.

Details of movements in the Company's share options pursuant to the Share Option Scheme are as follows:

Capacity	Date of grant	Number of share options under Share Option Scheme				Outstanding as at 30 September 2011	Exercise price
		Number of share options granted	Outstanding as at 1 April 2011	Lapsed during the period under review	Exercised during the period under review		
<i>Executive Directors</i>							
Lo Kam Hon, Gary	10 December 2003	350,000 <i>(Note 2)</i>	-	-	-	-	HK\$0.132
Employees	10 December 2003	480,000 <i>(Note 2)</i>	-	-	-	-	HK\$0.132
Advisers/consultants	10 December 2003	2,700,000 <i>(Note 2)</i>	800,000	-	-	800,000	HK\$0.132
Other <i>(Note 1)</i>	10 December 2003	2,980,000 <i>(Note 2)</i>	-	-	-	-	HK\$0.132
Employees	5 October 2007	16,400,000 <i>(Note 3)</i>	-	-	-	-	HK\$0.242
Total		<u>22,910,000</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	

**Notes:**

- These refer to the former employees of the Group.
- The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.120.

Each of the grantees to whom options have been conditionally granted under the Share Option Scheme will be entitled to exercise: (i) 50% of the options granted to each grantee (rounded down to the nearest whole number) after 9 December 2004; and (ii) the remaining 50% of the option granted to each grantee (rounded down to the nearest whole number) after 9 December 2005; and in each case, not later than 10 years from the date of grant of the options.

- The closing price of the shares of Company immediately before the date on which the options were granted was HK\$0.220. The options had lapsed in October 2009.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus of the Company dated 31 October 2002.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2011.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

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

None of the members of the Group had purchased, sold or redeemed any of the shares of the Company during the period under review.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, namely Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited interim results for the six months ended 30 September 2011 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

By order of the Board  
**Ma Yuanguang**  
*Chairman*

Hong Kong, 11 November 2011

*As at the date of this report, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Lo Kam Hon, Gary; the non-executive director of the Company is Mr. Wing Kee Eng, Lee; and the independent non-executive directors of the Company are Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung.*