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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 2014

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 2014 was approximately HK\$43,896,000, representing a 56% increase from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company for the six months ended 30 September 2014 was approximately HK\$1,758,000 and net loss of HK\$12,190,000 was recorded in the Last Corresponding Period.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 2014 together with the unaudited comparative figures for the corresponding period in 2013 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended		For the six months ended	
		30 September		30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	2 & 4	21,867	4,559	43,896	28,088
Cost of sales		<u>(21,934)</u>	<u>(6,563)</u>	<u>(39,812)</u>	<u>(30,013)</u>
Gross profit		(67)	(2,004)	4,084	(1,925)
Other income		2,060	1,135	4,235	1,520
Selling expenses		<u>(4,098)</u>	<u>(2,747)</u>	<u>(5,206)</u>	<u>(5,955)</u>
Administrative expenses		<u>(2,418)</u>	<u>(1,926)</u>	<u>(4,871)</u>	<u>(3,971)</u>
(Loss) before taxation	3	(4,523)	(5,542)	(1,758)	(10,331)
Income tax	5	<u>–</u>	<u>(384)</u>	<u>–</u>	<u>(1,871)</u>
(Loss) for the period		<u>(4,523)</u>	<u>(5,926)</u>	<u>(1,758)</u>	<u>(12,202)</u>
Other comprehensive (loss)/ income:					
Exchange differences on translating foreign operations		<u>–</u>	<u>646</u>	<u>1,110</u>	<u>2,462</u>
Total comprehensive (loss) for the period		<u>(4,523)</u>	<u>(5,280)</u>	<u>(648)</u>	<u>(9,740)</u>
(Loss) attributable to:					
Equity shareholders of the Company		<u>(4,523)</u>	<u>(5,926)</u>	<u>(1,758)</u>	<u>(12,190)</u>
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>(12)</u>
		<u>(4,523)</u>	<u>(5,926)</u>	<u>(1,758)</u>	<u>(12,202)</u>
Total comprehensive (loss) attributable to:					
Equity shareholders of the Company		<u>(4,523)</u>	<u>(5,280)</u>	<u>(648)</u>	<u>(9,752)</u>
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>12</u>
		<u>(4,523)</u>	<u>(5,280)</u>	<u>(648)</u>	<u>(9,740)</u>
(Loss) per share (in HK cents):	7				
– Basic		<u>(0.47)</u>	<u>(0.62)</u>	<u>(0.18)</u>	<u>(1.27)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	854	1,433
Intangible asset		2,124	2,420
Deferred tax assets		351	346
Current assets			
Inventories		38,149	23,579
Trade and other receivables	9	67,760	57,130
Deposits and prepayments		1,009	10,020
Pledged bank deposit		818	808
Cash and bank balances		23,293	29,297
		131,029	120,834
Current liabilities			
Trade and other payables	10	23,800	13,181
Provision		5,246	5,743
Provision for taxation		7,633	7,798
		36,679	26,722
Net current assets		94,350	94,112
Total assets less current liabilities		97,679	98,311
Non-current liabilities			
Provision		1,273	1,257
Provision for long service payments		56	56
		1,329	1,313
Net assets		96,350	96,998
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital		9,608	9,608
Reserves		86,761	87,409
		96,350	96,998
Non-controlling interests		(19)	(19)
Total equity		96,350	96,998

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	(6,872)	(6,208)
Net cash generated from investing activities	283	179
	<hr/>	<hr/>
Net (decrease) in cash and cash equivalents	(6,589)	(6,029)
Cash and cash equivalents at 1 April	29,297	31,674
Effect of foreign exchange rate changes	585	1,681
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<u>23,293</u>	<u>27,326</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 2013	9,608	58,725	2,135	10,918	1,195	59,303	10,807	152,691	(1,329)	151,362
Total comprehensive loss for the period	-	-	-	-	-	(12,190)	-	(12,190)	(12)	(12,202)
Other comprehensive loss										
Exchange differences on translating foreign operations	-	-	-	2,462	-	-	-	2,462	-	2,462
As at 30 September 2013	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>13,380</u>	<u>1,195</u>	<u>47,113</u>	<u>10,807</u>	<u>142,963</u>	<u>(1,341)</u>	<u>141,622</u>
At 31 March 2014	9,608	58,725	2,135	12,053	-	3,689	10,807	97,017	(19)	96,998
Total comprehensive loss for the period	-	-	-	-	-	(1,758)	-	(1,758)	-	(1,758)
Other comprehensive loss										
Exchange differences on translating foreign operations	-	-	-	1,110	-	-	-	1,110	-	1,110
As at 30 September 2014	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>13,163</u>	<u>-</u>	<u>1,931</u>	<u>10,807</u>	<u>96,369</u>	<u>(19)</u>	<u>96,350</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. (LOSS) BEFORE TAXATION

(Loss) before tax is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	160	150	340	352
Minimum lease payments under operating lease – land and buildings	277	370	553	798
Staff costs including directors' emolument	3,900	4,751	7,788	8,494
	<u>3,900</u>	<u>4,751</u>	<u>7,788</u>	<u>8,494</u>

4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group's customers are located. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of PRC comprises the revenue from supply, development and integration of passenger information management system and electricity monitoring system while the segment revenue of Hong Kong comprises the revenue from supply, development and integration of message communication systems.

No reportable operating segment has been aggregated.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2014 and 2013 is set out below.

	PRC		Hong Kong		Total	
	For the six months ended 30 September 2014	2013	For the six months ended 30 September 2014	2013	For the six months ended 30 September 2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Reportable segment revenue						
Inter-segment revenue	651	-	-	-	651	-
Revenue from external customers	41,329	28,088	2,567	-	43,896	28,088
	<u>41,980</u>	<u>28,088</u>	<u>2,567</u>	<u>-</u>	<u>44,547</u>	<u>28,088</u>
Reportable segment profit/(loss)	<u>3,114</u>	<u>(979)</u>	<u>2,203</u>	<u>163</u>	<u>5,317</u>	<u>(816)</u>
Interest revenue	82	144	189	203	271	347
Depreciation	339	297	1	55	340	352
Allowance for doubtful debts	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) **Reconciliation of reportable segment revenues and profit or loss**

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Total reportable segments' revenue	44,547	28,088
Elimination of inter-segment revenue	(651)	–
	<u> </u>	<u> </u>
Consolidated turnover	43,896	28,088
	<u> </u>	<u> </u>
Profit/(Loss)		
Total reportable segments' profit/(loss)	5,317	(816)
Elimination of inter-segment profits/(loss)	–	–
	<u> </u>	<u> </u>
Reportable segment profit/(loss) derived from Group's external customer	5,317	(816)
Bank interest income	271	347
Unallocated head office and corporate expenses	(7,346)	(9,862)
	<u> </u>	<u> </u>
Consolidated (loss) before tax expenses	(1,758)	(10,331)
	<u> </u>	<u> </u>

5. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current year provision:		
PRC enterprise income tax	–	544
Deferred taxation		
Origination and reversal of temporary differences	–	1,327
	<u> </u>	<u> </u>
	–	1,871
	<u> </u>	<u> </u>

No Hong Kong profits tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the period. (2013: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”) has been approved as a high and new technology enterprise and is entitled to a concessionary rate of Enterprise Income Tax (“**EIT**”) at 15% until 22 August 2014.

Pursuant to the relevant laws and regulations applicable to newly established software production enterprises in the PRC, another PRC subsidiary, 廣州勝億交通信息軟件有限公司 (“勝億”) was exempted from EIT for the year ended 31 December 2011, followed by a 50% reduction in the applicable tax rate of 25% for a period of 3 years from 1 January 2012. These tax concessions will expire after 31 December 2014.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

There was no significant unprovided deferred taxation for the six months ended 30 September 2014.

6. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2014 (2013: Nil).

7. (LOSS) PER SHARE

(a) Basic (loss) per share

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 30 September 2014 of approximately HK\$4,523,000 (2013: approximately HK\$5,926,000) and the weighted average number of approximately 960,808,000 ordinary shares (2013: 960,808,000 ordinary shares) in issue during the period calculated.

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the six months ended 30 September 2014 of approximately HK\$1,758,000 (2013: approximately HK\$12,190,000) and the weighted average number of approximately 960,808,000 ordinary shares (2013: 960,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted (loss) per share

No diluted loss per share has been presented for the three months and the six months ended 30 September 2014 since the assumed exercise of the Company's outstanding unlisted warrants would have no dilutive effect on loss per share.

No diluted loss per share has been presented for the three months and the six months ended 30 September 2013 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2014 (Unaudited) HK\$'000
Opening balance	1,433
Additions	-
Disposals	(349)
Depreciation	(340)
Exchange realignment	110
	<hr/>
Closing balance	854

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Trade receivables and bills receivables	63,806	56,300
Other receivables	3,954	830
	<hr/>	<hr/>
	67,760	57,130

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

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Between 0 to 90 days	21,007	20,179
Between 91 to 180 days	22,950	12,723
Between 181 to 365 days	2,450	14,803
Between 1 to 2 years	11,601	4,743
Over 2 years	1,126	–
	<hr/>	<hr/>
	59,134	52,448
Retention receivables	4,672	3,852
	<hr/>	<hr/>
	63,806	56,300
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted with credit terms of 90 days.

10. TRADE AND OTHER PAYABLES

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Trade payables	18,329	5,919
Other payables	5,469	6,589
Deposits received from customers	2	673
	<hr/>	<hr/>
	23,800	13,181
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Between 0 to 90 days	15,141	1,218
Between 91 to 180 days	814	350
Between 181 to 365 days	12	879
Between 1 to 2 years	1,628	2,166
Over 2 years	734	1,306
	18,329	5,919

11. COMMITMENTS

As at 30 September 2014, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Not later than one year	1,116	1,123
In second to fifth years inclusive	5,847	184
	6,963	1,307

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

During the period under review, the development of domestic railway transportation sector has progressed in an orderly manner with the PRC government adopted reforms as the guiding principle. New lines in cities including Beijing, Shanghai, Guangzhou and Shenzhen, have constructed in accordance with the PRC economic policy, leading to normalization of national economy with stable investment. Construction of new lines were commenced in some provincial capitals and cities with higher economic capabilities.

New constructed lines were back to realistic construction schedule instead of chasing for short construction schedule in the past, focusing on matching with overall city layout and long term development requirements. To cope with the domestic railway construction layout, the Group has adjusted its operational strategy to match the market demand. The Group has actively cooperated with China South Locomotive and Rolling Stock Corporation Limited and China Northern Locomotive and Rolling Stock Industry (Group) Corporation and participate in tenders of railway construction projects in both domestic and overseas market. To match the requirement of new projects, the Group has increased investment in its research and development team to cope with development of the industry. During the period, the Group has delivered train information system to 11 lines in 10 cities in both domestic and overseas market, and has provided services to over 30 operating lines. Resulting from the effort of the sales team, the Group has obtained contracts for several new lines as well as supply contracts for spare parts and accessories from several cities. The project team has worked closely with line owners arranging for the withdraw of operated lines from free warranty services to paid warranty services and supply of spare parts.

This year, the Group focus on implementing steady operation transformation policy, including organisation structure, market focus, creativity in research and development. The transform from project base in the past, to creative application and safety services, has progressed by phase and in a steady manner with results achieved. The Group has enhanced relationship with cooperative partners, with arrangement to develop mobile internet services and related safety protection services in new markets. The Group believes that through promoting and implementing its operation strategy, it will widen its development opportunity and create better market opportunity in the areas of new application.

Financial review

For the six months ended 30 September 2014, the Group recorded a turnover of approximately HK\$43,896,000, an 56% increase comparing with that of the Last Corresponding Period. Gross profit at approximately HK\$4,084,000 was recorded. Net loss attributable to equity shareholders of the Company for the period under review was approximately HK\$1,758,000.

During the period, the Group has delivered train information system to 11 lines in 10 cities in both domestic and overseas market as scheduled in the signed supply contracts.

During the period, the Group has provided safety protection services to over 30 operating lines, and also arranged the withdrawn of operated projects from free warranty services. The continuous investment in research and development as well as implementation of new motivation scheme for research and development team has caused the increase in cost of sales. Gross profit of approximately HK\$4,084,000 was recorded with gross profit margin at 9.3%.

Selling expenses have decreased by 13%, mainly resulted from the Group gave up bidding for projects with low expected profit margin through selective bidding of projects. The effectively implemented selection market development plan has caused the decrease in selling expense.

With effective budgetary control, administrative expenses were within budget. The increase in administrative expenses is mainly resulted from the classification of senior management salaries from sales to administration expenses following the restructuring of Guangzhou Global Link Communications Inc. in early 2014.

The increase in other income by HK\$2,715,000, representing 1.8 times increase from the Last Corresponding Period is mainly caused by the reversal of provision of impairment of trade receivables and the increase in interest income and exchange gain.

Capital structure

The Group carried out prudent financial policy, surplus cash is deposited in bank to finance operation and investments. Management will review financial forecast of the Group on a regular basis. As at 30 September 2014, the Group had a total cash and bank balances, amounted to approximately HK\$23,293,000.

Employee information

As at 30 September 2014, the Group had 155 employees (2013: 177 employees), 147 and 8 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2014, staff cost including Directors' remuneration was approximately HK\$7,788,000 (2013: approximately HK\$8,494,000).

Liquidity, financial resources and gearing

As at 30 September 2014, the Group had net current assets of approximately HK\$94,350,000, of which approximately HK\$23,293,000 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 2014, 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 2014, so far 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	18.29%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (<i>Note</i>)	8.26%
		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	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%

Note:

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 2014, 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 2014, 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:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Bright Cosmos Holdings Limited	Beneficial owner	79,347,600 ordinary shares Long position	8.26%

Note:

The entire issued share capital of Bright Cosmos Holdings Limited is held by Hu Zhi Jian.

Save as disclosed above, as at 30 September 2014, 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.

ISSUE OF UNLISTED WARRANTS

On 5 August 2014, after trading hours of the Exchange, the Company entered into separate subscription agreements (the “**Subscription Agreements**”) with six individuals investors (the “**Subscribers**”), pursuant to which, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for in aggregate 186,000,000 warrants (the “**Warrant(s)**”) (of 31,000,000 Warrants for each Subscribers) at the issue price of HK\$0.001 per Warrant. The Warrants will entitle each of the holders thereof to subscribe in cash up to an aggregate amount of HK\$39,060,000 for the warrant shares (the “**Warrant Share(s)**”) and each Warrant carry right to subscribe for one Share at an initial subscription price of HK\$0.21 per Share, for a period of 36 months commencing from the date of issue of the Warrants. Based on the initial subscription price of HK\$0.21 per Warrant Share, a maximum of 186,000,000 Warrant Shares will be allotted and issued by the Company and approximately 16.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares. The Warrant Shares issued upon exercise of the subscription rights attaching to the Warrants will be issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company convened and held on 9 August 2013. The completion of the subscription took place on 12 August 2014. For details of the issue of unlisted Warrants, please refer to the Company’s announcement dated 5 August 2014 and 12 August 2014.

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 2014.

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.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group as at the date of the report.

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 2014 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, 12 November 2014

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.