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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 2007**

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

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## HIGHLIGHTS

Turnover for the six months ended 30 September 2007 was HK\$19,594,000 representing a 32% increase from that of the last corresponding period.

Profit attributable to equity holders of the Company of approximately HK\$4,509,000 representing a 74% increase from that of the last corresponding period.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce 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 2007 together with the unaudited comparative figures for the corresponding period in 2006 (“Last Corresponding Period”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended 30 September		For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	2 & 4	8,644	8,861	19,594	14,812
Cost of sales		(4,971)	(5,425)	(12,297)	(10,029)
Gross profit		3,673	3,436	7,297	4,783
Other income		1,515	601	2,044	1,804
Selling expenses		(821)	(818)	(1,687)	(1,573)
Administrative expenses		(1,229)	(1,092)	(2,496)	(2,263)
Finance costs		(2)	(1)	(16)	(8)
Profit before tax	3	3,136	2,126	5,142	2,743
Income tax	5	(205)	(150)	(633)	(145)
Profit for the period		2,931	1,976	4,509	2,598
<b>Attributable to:</b>					
Equity holders of the Company		2,931	1,976	4,509	2,598
Minority interests		-	-	-	-
		2,931	1,976	4,509	2,598
<b>Earnings per share (in HK cents)</b>	7				
- Basic		0.38	0.30	0.60	0.39
- Diluted		0.36	0.29	0.57	0.38

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30 September 2007</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2007 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>704</b>	887
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	<b>24,185</b>	14,043
Prepayments and deposits		<b>1,911</b>	2,817
Pledged bank deposit and balance		<b>800</b>	4,400
Cash and bank balances		<b>15,535</b>	6,462
		<b>42,431</b>	27,722
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>17,462</b>	18,882
Provision for taxation	5	<b>983</b>	693
		<b>18,445</b>	19,575
<b>NET CURRENT ASSETS</b>		<b>23,986</b>	8,147
<b>Total assets less current liabilities</b>		<b>24,690</b>	9,034
<b>NET ASSETS</b>		<b>24,690</b>	9,034
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,697</b>	6,635
Reserves		<b>16,993</b>	2,399
<b>Total equity attributable to equity holders of the Company</b>		<b>24,690</b>	9,034
Minority interests		–	–
<b>TOTAL EQUITY</b>		<b>24,690</b>	9,034

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	<b>(5,782)</b>	(733)
Net cash inflow from investing activities	<b>3,708</b>	2
Net cash inflow from financing	<b>11,147</b>	–
Increase/(decrease) in cash and cash equivalents	<b>9,073</b>	(731)
Cash and cash equivalents at 1 April	<b>6,462</b>	4,193
Cash and cash equivalents at 30 September	<b>15,535</b>	3,462

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange translation reserve	Share option reserve	Accumulated losses	Statutory reserve	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(note a)</i>				<i>(note b)</i>	
As at 1 April 2006	6,600	15,120	2,135	37	177	(20,290)	2,147	5,926
Profit for the period	–	–	–	–	–	2,598	–	2,598
Transfer to statutory reserve fund	–	–	–	–	–	(488)	488	–
<b>As at 30 September 2006</b>	<b>6,600</b>	<b>15,120</b>	<b>2,135</b>	<b>37</b>	<b>177</b>	<b>(18,180)</b>	<b>2,635</b>	<b>8,524</b>
As at 1 April 2007	6,635	15,211	2,135	245	177	(17,721)	2,352	9,034
Profit for the period	–	–	–	–	–	4,509	–	4,509
Placing of new shares	1,000	9,600	–	–	–	–	–	10,600
Exercise of share option	62	485	–	–	–	–	–	547
Transfer to statutory reserves	–	–	–	–	–	(352)	352	–
<b>As at 30 September 2007</b>	<b>7,697</b>	<b>25,296</b>	<b>2,135</b>	<b>245</b>	<b>177</b>	<b>(13,564)</b>	<b>2,704</b>	<b>24,690</b>

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the 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 Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2007 are consistent with those followed in the annual report of the Company for the year ended 31 March 2007.

### 2. Revenue

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

### 3. Profit before tax

Profit before tax is stated after charging the following:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	116	133	231	265
Operating lease rentals	147	138	288	311
Staff costs including directors' emolument	1,176	1,016	2,274	2,120

#### 4. Segmental information

##### *Primary reporting format – geographical segments*

Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group in making operation and financial decision.

The Group's business can be subdivided into the PRC and Hong Kong markets.

In presenting information on the basis of geographical segment, segment information is reported based on the geographical location of customers.

##### *Secondary reporting format – business segments*

As the Group has developed the new market for passenger information management systems, in presenting the information on the basis of business segments, management has evaluated and considered that the Group's business segments are now structured and managed separately according to the nature of the products they provide instead of the customers they serve. The Group's business segments are as follows:

- Supply, development and integration of message communication systems; and
- Supply, development and integration of passenger information management systems.

There are no sales between the business segments.

(a) *Primary reporting format – geographical segments*

An analysis of the Group's turnover and contribution to operating results by geographical areas is as follows:

	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	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	17,403	12,939	2,191	1,873	-	-	19,594	14,812
Inter-segment sales*	-	361	-	-	-	(361)	-	-
	<u>17,403</u>	<u>13,300</u>	<u>2,191</u>	<u>1,873</u>	<u>-</u>	<u>(361)</u>	<u>19,594</u>	<u>14,812</u>
RESULT								
Segment result	<u>5,726</u>	<u>3,433</u>	<u>1,340</u>	<u>721</u>	-	-	7,066	4,154
Unallocated corporate expenses							(3,968)	(3,215)
Interest income							156	23
Other unallocated income							1,888	1,781
Profit before tax							5,142	2,743
Income tax							(633)	(145)
Profit for the period							4,509	2,598
Minority interests							-	-
Profit attributable to equity holders of the Company							<u>4,509</u>	<u>2,598</u>

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

(b) *Secondary reporting format – business segments*

	Message communication systems		Passenger information management systems		Unallocated		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	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	10,911	8,579	8,683	6,233	-	-	19,594	14,812
Segment assets	7,499	4,224	14,988	7,153	20,648	8,040	43,135	19,417
Capital expenditure	-	-	-	-	48	21	48	21

## 5. Income tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the six months ended 30 September 2007 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 2007 (2006: Nil).

PRC enterprise income tax ("EIT") represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable. One of the PRC subsidiaries of the Group, Guangzhou Global Link Communications Inc. ("Guangzhou GL"), has been approved as a high and new technology enterprise and entitled to a favorable national tax rate of 15%. In addition, being a wholly foreign-owned enterprise, Guangzhou GL was entitled to preferential tax treatments including full exemption from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three consecutive years. The statutory financial year ended 31 December 2006 was the final year for Guangzhou GL to be entitled to 50% tax reduction treatment. The tax rates applicable to Guangzhou GL were 18% for the six months ended 30 September 2007. EIT tax charge for the six months ended 30 September 2007 was HK\$633,000 (2006: HK\$145,000).

There was no significant unprovided deferred taxation for the six months ended 30 September 2007.

## 6. Dividend

The Board does not recommend an interim dividend for the six months ended 30 September 2007 (2006: Nil).

## 7. Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	For the three months ended 30 September		For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	<u>2,931</u>	<u>1,976</u>	<u>4,509</u>	<u>2,598</u>

	Number of shares			
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>769,695</b>	660,025	<b>752,934</b>	660,025
Effect of dilutive potential ordinary shares:				
Share options	<b>35,091</b>	16,763	<b>34,493</b>	15,503
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>804,786</b>	676,788	<b>787,427</b>	675,528

#### 8. Property, plant and equipment

	Six months ended 30 September 2007 (Unaudited) HK\$'000
Opening balance	887
Additions	48
Depreciation	(231)
Closing balance	<b>704</b>

#### 9. Trade and other receivables

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Trade receivables	<b>22,486</b>	12,931
Other receivables	<b>1,699</b>	891
Bills receivables	–	221
	<b>24,185</b>	14,043

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

	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 31 March 2007 (Audited) HK\$'000
Between 0 to 90 days	7,102	9,671
Between 91 to 180 days	8,617	1,741
Between 181 to 365 days	6,085	1,377
Between 1 to 2 years	682	142
	<u>22,486</u>	<u>12,931</u>

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

#### 10. Trade and other payables

	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 31 March 2007 (Audited) HK\$'000
Trade payables	13,502	15,254
Other payables	3,760	3,549
Deposits received from customers	200	79
	<u>17,462</u>	<u>18,882</u>

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

	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 31 March 2007 (Audited) HK\$'000
Between 0 to 90 days	3,119	7,835
Between 91 to 180 days	4,250	3,310
Between 181 to 365 days	3,715	759
Between 1 to 2 years	472	1,328
Over 2 years	1,946	2,022
	<u>13,502</u>	<u>15,254</u>

## 11. Commitments

At 30 September 2007, 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 2007 (Unaudited) HK\$'000</b>	As at 31 March 2007 (Audited) HK\$'000
Not later than one year	237	520
In second to fifth years inclusive	<u>58</u>	<u>–</u>
	<u><b>295</b></u>	<u><b>520</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

Under PRC's Eleventh Five Year Plan, RMB1,250 billion will be invested in the 17,000 km new railway construction, where RMB1,000 billion will be applied for passenger railway and railway between provinces and cities. At the same time, the National Development and Reform Commission ("NDRC") has approved a RMB500 billion construction of underground railways in 22 core cities.

Global Link will have great business opportunity and continuous market development prospect from the high investment in railway transportation by PRC government. In the recent two years, the Group had placed marketing, research and development and project focus on the railway transportation view channel information control system. As a result, the Group had won the tenders for the view channel information control system for 4 underground railway lines in Beijing and Guangzhou. These projects were first time for such equipment to be installed and operated in the railway transportation industry and subsequently became industry's standard, which provide competitive advantage base for the Group in new city and market development.

During the period under review, the Group not only implemented the projects as scheduled, but also had increased investment in the research and development of new information system. The passenger information display system ("PIDS") and public address ("PA") have been developed in this period, which applied the most advance technology in the industry to optimize the view channel information system intergradation and more satisfy the installation and operation requirements from train manufacturers and underground railway companies.

The railway projects approved by the NDRC, with more than 20 lines, including thousands of trains to be manufactured and reach operation stage will result in high demand for view channel information system. At the same time, for security during Olympics Games, World Expo and Asian Games, the police from various cities in the PRC have requested the installation of view channel control system. To cope with the schedule from such cities, the Group have started technology communication and design work with manufacturers and buyers and foresee to capture more contracts from the railway projects.

During the period under review, the Group's subsidiary, Guangzhou Global Link Communications Inc., had been granted "AAA grade of China Quality Credit Appraise" certificate by the China Quality Credit Appraise Center, which demonstrated the Group's reliable product quality and enhanced our advantages in industry development.

The Group insists fully utilising its core competitive advantages, continuously developing and reforming resources while searching for new market, new technology and the creation of new operational model. The Group had discussion with the holder of the worldwide patent of RFSIM card technology in the areas of market development, customer application and business modelling. In the vertical chain of the industry, the Group plans to invest or acquire the business of company with certain size of operation and profit to enlarge its business, enhance its strength as well as provide continuous high growth in earning power.

## **Financial review**

For the six months ended 30 September 2007, the Group recorded a turnover of approximately HK\$19,594,000, representing an increase by approximately 32% comparing with that of the last corresponding period. Gross profit of approximately HK\$7,297,000 was recorded, which represents an increase in gross profit margin from approximately 32% to approximately 37%. Net profit attributable to equity shareholders of the Company of approximately HK\$4,509,000 was recorded in this quarter.

During the period under review, the Group continued to invest in research, and development in accordance with its development strategy, view channel control system for railway transportation and the continuous upgrade of value added solutions for operators. The launch of new products and solutions has led to increase in gross profit margin compared with the last corresponding period. Other income remains fairly stable. Management carried out prudent financial policy, resulted in fairly stable sales and administrative expenses despite the increase in turnover. The decrease in write back of bad debts has caused the decrease in other revenue.

The Group's turnover keeps an increasing trend from the second half of last financial year, the Group's gross profit has increased and tighter control on expenses is the main reason for the recorded profit in this quarter.

### **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 on a regular basis to ensure the use of proceeds strictly follows those stated in the prospectus of the Company dated 31 October 2002 (the "Prospectus") or identified by the Directors during the normal course of business. As at 30 September 2007, the Group had a total cash and bank balances, amounted to approximately HK\$15,535,000, which was mainly generated from daily operation.

The Company allotted and issued an aggregate of 100,000,000 new shares at a subscription price of HK\$0.106 each to six private investors under the general mandate of the Company, the subscription of the new shares was completed on 26 April 2007. Please refer to the announcement of the Company dated 11 April 2007 and 26 April 2007 for further details.

### **Employee information**

As at 30 September 2007, the Group had 58 employees (2006: 53 employees), 47 and 11 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2007, staff costs including Directors' remuneration was approximately HK\$2,274,000 (2006: approximately HK\$2,120,000). The decrease in staff cost was mainly due to the decrease in number of staff during the period under review.

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

As at 30 September 2007, the Group had net current assets of approximately HK\$23,986,000, of which approximately HK\$15,535,000 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 2007, the Group did not have any material contingent liabilities.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2007.

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

As at 30 September 2007, 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 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	165,217,600 ordinary shares Long position	21.47%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	1.37%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	10.31%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.15%
Chau Siu Piu	Company	Beneficial owner	58,560,400 ordinary shares Long position	7.61%
		Beneficial owner	7,778,000 ordinary shares Long position (Note 1)	1.01%

<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
Lo Kam Hon, Gary	Company	Beneficial owner	350,000 ordinary shares Long position	0.05%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position ( <i>Note 1</i> )	0.36%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position ( <i>Note 1</i> )	0.11%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.11%

*Note:*

- Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 shares, 2,778,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Chau Siu Piu, Wing Kee Eng, Lee and Hu Tiejun respectively 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.
- 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 2007, so far 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 2007, so far 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	Beneficial owner	50,000,000 ordinary shares Long position	6.50%
Tang Yuk Fu	Beneficial owner	49,480,000 ordinary shares Long position	6.43%

Save as disclosed above, as at 30 September 2007, so far 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 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 under the Pre-IPO Share Option Scheme				
		Number of share options granted	Outstanding as at 1 April 2007	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 30 September 2007
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	-	-	10,556,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	-	-	8,889,000
Chau Siu Piu	24 October 2002	7,778,000	7,778,000	-	-	7,778,000
<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	833,000	-	-	833,000
Lu Ting Jie	24 October 2002	833,000	-	-	-	-
<i>Senior Management</i>						
Li Guo Hui	24 October 2002	611,000	-	-	-	-
Zhang Wei Jing	24 October 2002	500,000	-	-	-	-
Advisers/consultants	24 October 2002	9,054,000	4,583,000	-	1,695,500	2,887,500
Other employees of the Group	24 October 2002	7,245,000	-	-	-	-
Others (Note)	24 October 2002	8,694,000	6,361,000	-	1,111,000	5,250,000
Total		<u>57,771,000</u>	<u>41,778,000</u>	<u>-</u>	<u>2,806,500</u>	<u>38,971,500</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					Exercise price
		Number of share options granted	Outstanding as at 1 April 2007	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 30 September 2007	
<i>Executive Directors</i>							
Lo Kam Hon, Gary	10 December 2003	350,000	350,000	-	350,000	-	HK\$0.132
Employees	10 December 2003	3,460,000	1,130,000	-	1,130,000	-	HK\$0.132
Advisers/consultants	10 December 2003	2,700,000	2,700,000	-	1,900,000	800,000	HK\$0.132
Total		<u>6,510,000</u>	<u>4,180,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	

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.

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.

No share options under the Share Option Scheme were granted during the six months ended 30 September 2007.

## **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, the Company’s 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 period ended 30 September 2007.

## **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 of 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 during the period under review.

## **PLACING OF SHARES**

The Company allotted and issued an aggregate of 100,000,000 new shares at a subscription price of HK\$0.106 each to six private investors under the general mandate of the Company, the subscription of the new shares was completed on 26 April 2007. Please refer to the announcements of the Company dated 11 April 2007 and 26 April 2007 for further details of the allotment of shares.

## **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 3 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 2007 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, 2 November 2007

*As at the date of this report, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Chau Siu Piu 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, Mr. Lu Ting Jie and Mr. Leung Kwok Keung.*