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Global Link

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Global Link Communications Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8060)

Interim Report 2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report, for which the directors (“the Directors”) of Global Link Communications Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover for the six months ended 30 September 2005 was HK\$11,329,000 representing a 32% decrease from that of the last corresponding period.

Net profit attributable to shareholders amounted to approximately HK\$1,208,000 representing a 172% increase from that of the last corresponding period.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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 2005 together with the unaudited comparative figures for the corresponding period in 2004 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended		For the six months ended	
		30 September	2004	30 September	2004
		2005	2004	2005	2004
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2 & 4	4,121	8,376	11,329	16,629
Cost of sales		(2,931)	(6,288)	(8,789)	(12,682)
Gross profit		1,190	2,088	2,540	3,947
Other revenue		1,317	1,258	3,495	1,710
Selling expenses		(898)	(889)	(1,733)	(1,905)
Administrative expenses		(938)	(3,181)	(3,086)	(5,431)
Profit/(loss) from operations	3	671	(724)	1,216	(1,679)
Finance costs		(4)	(2)	(10)	(8)
Profit/(loss) before taxation		667	(726)	1,206	(1,687)
Taxation	5	-	-	-	(16)
		667	(726)	1,206	(1,703)
Minority interests		1	15	2	30
Profit/(loss) attributable to shareholders		668	(711)	1,208	(1,673)
Dividend	6	0	0	0	0
Earnings/(loss) per share	7				
– basic (in HK cents)		0.10	(0.11)	0.18	(0.25)
– diluted (in HK cents)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2005 (Unaudited) <i>HK\$'000</i>	As at 31 March 2005 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	8	1,519	1,762
CURRENT ASSETS			
Inventories		1,932	–
Trade and other receivables	9	5,947	8,035
Prepayment and deposits		423	321
Tax refundable		23	23
Pledged bank deposits		0	302
Bank and cash balances		5,449	4,369
		<hr/> 13,774	<hr/> 13,050
CURRENT LIABILITIES			
Trade and other payables	10	10,115	10,865
Provision for taxation	5	243	243
		<hr/> 10,358	<hr/> 11,108
NET CURRENT ASSETS		3,416	1,942
MINORITY INTERESTS		0	(2)
NET ASSETS		<hr/> 4,935	<hr/> 3,702
CAPITAL AND RESERVES		<hr/> 4,935	<hr/> 3,702

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	391	(1,000)
Net cash inflow/(outflow) from investing activities	291	(15)
Net cash inflow from financing	<u>0</u>	<u>0</u>
Increase/(decrease) in cash and cash equivalents	682	(1,015)
Exchange difference arising on consolidation	398	0
Cash and cash equivalents at 1 April	<u>4,369</u>	<u>8,423</u>
Cash and cash equivalents at 30 September	<u><u>5,449</u></u>	<u><u>7,408</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange translation reserve	Retained profits/ losses (accumulated)	Statutory reserve fund	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(note a)</i>			<i>(note b)</i>	
As at 1 April 2004	6,600	15,120	2,135	12	(12,286)	820	12,401
Loss for the period	-	-	-	-	(1,673)	-	(1,673)
Transfer to statutory reserve fund	-	-	-	-	(71)	71	-
As at 30 September 2004	<u><u>6,600</u></u>	<u><u>15,120</u></u>	<u><u>2,135</u></u>	<u><u>12</u></u>	<u><u>(14,030)</u></u>	<u><u>891</u></u>	<u><u>10,728</u></u>
As at 1 April 2005	6,600	15,120	2,135	12	(22,238)	2,073	3,702
Profit for the period	-	-	-	-	1,208	-	1,208
Exchange difference	-	-	-	25	-	-	25
As at 30 September 2005	<u><u>6,600</u></u>	<u><u>15,120</u></u>	<u><u>2,135</u></u>	<u><u>37</u></u>	<u><u>(21,030)</u></u>	<u><u>2,073</u></u>	<u><u>4,935</u></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. General and basis of preparation

The Company was incorporated in the Cayman Islands on 9 May 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2002.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also conform with the applicable disclosure requirements of GEM Listing Rule.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

2. Turnover and revenue

Turnover represents the net invoiced value of the sales of goods, licence fees and services income receivable, after allowance for returns and trade discounts, and after elimination of intra-group transactions.

3. Profit/(loss) from operations

Profit/(loss) from operations is stated after charging the following:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	135	133	272	224
Operating lease rentals	145	154	325	307
Staff costs including directors' emolument	<u>1,132</u>	<u>1,547</u>	<u>2,308</u>	<u>2,765</u>

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 revenue is based on the geographical location of customers.

Secondary reporting format – business segments

In presenting the information on the basis of business segments, the Group's customers can be broadly divided into two main business segments as follows:

- Backbone operators
- Small to medium size operators and other customers

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	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
REVENUE								
External sales	6,585	11,814	4,744	4,815	-	-	11,329	16,629
Inter-segment sales*	1,538	0	283	771	(1,821)	(771)	-	-
	<u>8,123</u>	<u>11,814</u>	<u>5,027</u>	<u>5,586</u>	<u>(1,821)</u>	<u>(771)</u>	<u>11,329</u>	<u>16,629</u>
RESULT								
Segment result	<u>1,338</u>	<u>1,330</u>	<u>(185)</u>	<u>461</u>			1,153	1,791
Unallocated corporate expenses							(3,432)	(5,180)
Interest income							18	9
Sundry income							3,477	1,701
Profit/(loss) from operations							1,216	(1,679)
Finance costs							(10)	(8)
Taxation							0	(16)
Minority interests							1,206	(1,703)
Profit/(loss) attributable to shareholders							<u>1,208</u>	<u>(1,673)</u>

* *Inter-segment sales are charged at prevailing market rates.*

(b) *Secondary reporting format – business segments*

	Backbone operators		Small to medium operators and other customers		Unallocated assets		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	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Sales to external customers	2,169	2,798	9,160	13,831	-	-	11,329	16,629
Segment assets	2,533	3,215	2,983	6,788	9,777	11,521	15,293	21,524
Capital expenditure	-	-	-	-	29	24	29	24

5. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the six months ended 30 September 2005 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 2005 (2004: Nil).

The 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 to the PRC subsidiaries of the Group. The PRC subsidiaries of the Group which are categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from EIT for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years. The first profit-making year was year 2001 and therefore there was EIT tax charge for the year 2003. No provision for EIT has been made as individual companies within the Group has no assessable profit for the six months ended 30 September 2005 (2004: HK\$16,000).

There was no significant unprovided deferred taxation for the six months ended 30 September 2005 (2004: Nil).

6. **Dividend**

The Board does not recommend an interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

7. **Earnings/(Loss) per share**

(a) Basic

The calculation of the basic earnings per share for the three months ended 30 September 2005 is based on the consolidated profit attributable to shareholders of approximately HK\$668,000 (2004: loss attributable to shareholders approximately HK\$711,000) and on the weighted average of 660,024,500 shares (2004: 660,024,500 shares) of the Company in issue during the period.

The calculation of the basic earnings per share for the six months ended 30 September 2005 is based on the consolidated profit attributable to shareholders of approximately HK\$1,208,000 (2004: loss attributable to shareholders approximately HK\$1,673,000) and on the weighted average of 660,024,500 shares (2004: 660,024,500 shares) of the Company in issue during the period.

(b) Diluted

No diluted earnings per share has been presented for the three months and six months ended 30 September 2005 since the assumed exercise of the Company’s outstanding share options would have no dilutive effect on earnings per share.

No diluted loss per share has been presented for the three months and six months ended 30 September 2004 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

8. Fixed assets

	Six months ended 30 September 2005 (Unaudited) HK\$'000
Opening balance	1,762
Additions	29
Depreciation	(272)
	<hr/>
Closing balance	1,519

9. Trade and other receivables

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
Trade receivables	5,516	7,058
Other receivables	431	883
Bills receivables	0	94
	<hr/>	<hr/>
	5,947	8,035
	<hr/> <hr/>	<hr/> <hr/>

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

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

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
Between 0 to 90 days	3,454	3,186
Between 91 to 180 days	1,079	2,106
Between 181 to 365 days	892	1,290
Between 1 to 2 years	91	476
	<hr/>	<hr/>
	5,516	7,058
	<hr/> <hr/>	<hr/> <hr/>

10. Trade and other payables

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
Trade payables	7,265	7,733
Other payables	2,850	3,132
	<u>10,115</u>	<u>10,865</u>

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

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
Between 0 to 90 days	1,852	1,898
Between 91 to 180 days	195	1,992
Between 181 to 365 days	2,354	1,836
Between 1 to 2 years	2,860	1,923
Over 2 years	4	84
	<u>7,265</u>	<u>7,733</u>

11. Commitments

At 30 September 2005, 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 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
Not later than one year	239	522
	<u>239</u>	<u>522</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

The Group is principally engaged in the development of message communication software providing telecommunications software solutions for new telecommunications services, value-added telecommunications services and message portal sites for telecommunication operators in the PRC and in other parts of the Asia-Pacific region. The Group also carries out creative software development for enterprises and governments, constructs information infrastructure as well as provides other communication network solutions.

During the period under review, the Group has kept strength in its operating strategy on creative management, products and services, which had enhanced the Global Link brand name and captured more customers.

To further develop the Asia-Pacific market, the Group has set up a representative office in Pakistan and held the Conference in relation to the solutions for new telecommunications jointly with EXCEL – a famous exchange platform manufacturer in the United States of America, to build up a stable base for product sale. The Group's multi media view channel control system delivered to Guangzhou subway, has passed the acceptance check performed by CSR Sifang Locomotive and Rolling Stock Co., Ltd., which marked the development of Global Link brand name into a new industry. During the period, the Group kept focusing at the telecommunication message area and has increased resources invested in new product development for future market demand.

Regarding market development, the Group has taken its characteristics into account and has timely adjusted its selling strategy, especially in the control of accounts receivable risk. To ensure the earnings, the Group will select its customers and give up low margin and high receivables risk customers.

Viewing into the future, Global Link has build up more advantageous resources and earning factors in the market development. Together with the Global Link brand name, the Group has alliance with the famous machinery company – AAECON Technology Inc., and Global Link become this partner's most successful agent in the PRC. Management believe that the Group will have good prospect in the future turnover and earnings.

Financial review

For the six months ended 30 September 2005, the Group recorded a turnover of approximately HK\$11,329,000, representing a decrease by approximately 32% comparing with that of the last corresponding period. Gross profit of approximately HK\$2,540,000 was recorded with gross profit margin at 22% which are fairly stable comparing with those of last corresponding period. Net profit attributable to shareholders of approximately HK\$1,208,000 was recorded in this period.

The Group have strength in the operation control by selecting customers, giving up low margin and high receivables risk contracts, which caused the decrease in turnover. Through strength credit control, the Group has reduced the bad debt provision and increased written back of provision. This caused the increase in other revenue and is the main reason for the Group's recorded profit.

In view of the industry's characteristic and the Group's development strategy, the Group has to keep on investing in research and development. Following the launch of new products, the Group's profit margin have increased and remain stable. The Group believes that through adopting continuous product development strategy, the product and solution softwares developed in the near future can capture more market share, and bring a remarkable return for the Group.

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 identified by the directors of the Company (the "Directors") during the normal course of business. As at 30 September 2005, the Group has a total cash and bank balance amounted to approximately HK\$5,449,000, which mainly generated from initial market capitalisation and daily operation.

Employee information

As at 30 September 2005, the Group had 62 employees (30 September 2004: 77 employees). 52 and 10 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2005, staff costs including Directors' remuneration was approximately HK\$2,308,000 (six months ended 30 September 2004: HK\$2,765,000). 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 2005, the Group had net current assets of approximately HK\$13,774,000, of which approximately HK\$5,449,000 were bank and cash 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

At 30 September 2005, banking facilities amounting to HK\$1,500,000 (31 March 2005: HK\$2,500,000) granted by a bank to a wholly owned subsidiary were guaranteed by the Company.

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 2005.

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

As at 30 September 2005, 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	25.03%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	1.57%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	12.02%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.33%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Li Guo Ping	Company	Interest of controlled corporation	68,744,800 ordinary shares Long position (Note 3)	10.42%
		Beneficial owner	4,861,000 ordinary shares Long position (Note 1)	0.73%
Chau Siu Piu	Company	Beneficial owner	67,898,960 ordinary shares Long position	10.29%
		Beneficial owner	7,778,000 ordinary shares Long position (Note 1)	1.16%
Lo Kam Hon, Gary	Company	Beneficial owner	350,000 ordinary shares Long position (Note 1)	0.05%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note 1)	0.42%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (Note 1)	0.13%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Lu Ting Jie	Company	Beneficial owner	416,500 ordinary shares Long position	0.06%
		Beneficial owner	416,500 ordinary shares Long position (Note 1)	0.06%

Note:

1. Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 shares, 4,861,000 shares, 2,778,000 shares, 833,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Chau Siu Piu, Li Guo Ping, Wing Kee Eng, Lee, Hu Tiejun and Lu Ting Jie 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. On 13 November 2003, Lu Ting Jie had exercised 416,500 share options under the Pre-IPO Share Option Scheme.

On 10 December 2003, share options to subscribe for 350,000 shares of the Company were granted to Lo Kam Hon, Gary pursuant to the share option scheme (the "Share Option Scheme") adopted by 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.
3. Top Legend Investment Limited, the entire issued share capital of which is held by Li Guo Ping, is interested in the 68,744,800 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2005, 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 2005, 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:

Name	Capacity	Class and number of securities	Approximate percentage of shareholdings
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.58%

Save as disclosed above, as at 30 September 2005, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) 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

Pursuant to the Pre-IPO Share Option Scheme, 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 2005	Lapsed during the year under review	Exercised during the year under review	Outstanding as at 30 September 2005
<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
Li Guo Ping	24 October 2002	4,861,000	4,861,000	–	–	4,861,000
<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	416,500	–	–	416,500
<i>Senior Management</i>						
Li Guo Hui	24 October 2002	611,000	305,500	–	–	305,500
Zhang Wei Jing	24 October 2002	500,000	250,000	–	–	250,000
Advisers/consultants	24 October 2002	9,054,000	4,735,500	–	–	4,735,500
Other employees of the Group	24 October 2002	11,078,000	4,123,500	–	–	4,123,500
Total		<u>57,771,000</u>	<u>45,526,000</u>	<u>–</u>	<u>–</u>	<u>45,526,000</u>

Under the terms of the Share Option Scheme, 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 share options granted 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 2005	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 30 September 2005	
<i>Executive Directors</i>							
Lo Kam Hon, Gary	10 December 2003	350,000	350,000	-	-	350,000	HK\$0.132
Employees	10 December 2003	6,160,000	4,380,000	-	-	4,380,000	HK\$0.132
Total		<u>6,510,000</u>	<u>4,730,000</u>	<u>-</u>	<u>-</u>	<u>4,730,000</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.

COMPLIED WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 September 2005, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules which came into effect on 1 January 2005, with deviations from certain code provisions as explained below.

Code provision A.2.1: the roles of the Chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Ma Yuanguang;

Code provision A.4.2: not every director is subject to retirement by rotation at least once every three years;

Code provision A.5.4: the Company has established written guidelines for the Directors but the application of the guidelines has not yet been extended to the employees of the Company;

Code provision B.1.1: the Company has not yet set up the remuneration committee;

Code provision D.1.2: the Company has not yet established written guidelines as to the functions and delegation between the board of Directors and the management of the Company.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the GEM Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company 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.

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 2005 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 2005

As at the date of this report, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Li Guo Ping, 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.