



国联通信
Global Link



年報 ANNUAL REPORT
2005/06

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)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ma Yuanguang (*Chairman*)
 Hu Zhi Jian
 Li Guo Ping
 Chau Siu Piu
 Lo Kam Hon, Gary

NON-EXECUTIVE DIRECTOR

Wing Kee Eng, Lee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Tiejun
 Lu Ting Jie
 Leung Kwok Keung

AUTHORIZED REPRESENTATIVES

Chau Siu Piu
 Lo Kam Hon, Gary FCCA, CPA

COMPLIANCE OFFICER

Ma Yuanguang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lo Kam Hon, Gary FCCA, CPA

AUDIT COMMITTEE

Hu Tiejun
 Lu Ting Jie
 Leung Kwok Keung FCCA, CPA

REGISTERED OFFICE

Century Yard, Cricket Square,
 Hutchins Drive, P.O.Box 2681 GT,
 George Town, Grand Cayman,
 Cayman Islands, British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2102, Manley Commercial Building
 367-375 Queen's Road Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

6/F., Kexun Building, No.60 Jian Zhong Road,
 Zhongshan Avenue, High-Tech Industrial Park,
 Tianhe District, Guangzhou City, Guangdong Province,
 The People's Republic of China.

PRINCIPAL BANKERS

China Construction Bank
 Guangzhou Gong Ye Yuan Sub-branch
 China Minsheng Banking Corp. Ltd.
 Ti Yu Xi Sub-branch
 Chiyu Banking Corporation Limited
 Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Butterfield Fund Services (Cayman) Limited
 Butterfield House
 68 Fort Street, P.O. BOX 705
 George Town
 Grand Cayman
 Cayman Islands
 British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
 Services Limited
 Shops 1712-1716
 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Hong Kong

AUDITORS

RSM Nelson Wheeler
 Certified Public Accountants
 7th Floor, Allied Kajima Building
 138 Gloucester Road
 Hong Kong

STOCK CODE

8060

CORPORATE WEBSITE

www.glink.com.cn

CHAIRMAN'S STATEMENT

I represent the board of directors (the "Directors") of Global Link Communications Holdings Ltd (the "Company"), to present the audited financial statements of the Company and its subsidiaries ("Global Link" or the "Group") for the year ended 31 March 2006 for shareholders' review.

During the year under review, with the "continuous creativity" being the strategy for the Group's operation, we have made the Group's development in a more steady way. Although turnover decreased, the actual earnings increased significantly. The Group's turnover for the year was approximately HK\$25,736,000, representing a 14% decrease from last year.

During the year under review, the Group's gross profit of approximately HK\$5,556,000, was recorded with gross margin at 22%, which are fairly stable comparing with those of last corresponding period. The Group believes that with the ongoing launch of new products, the Group's products have competitive advantage in the industry and the increase in market share will have economy of scale impact to the Group. During the year under review, the Group strengthened its credit control policy by selecting its customers and giving up low margin and high receivable risk contracts, which caused the decrease in turnover. The Group has adopted the strengthened credit control policy to reduce the bad debt provision and increased written back of the bad debt provision. This caused the increase in other revenue and is the main reason for the Group's recorded profit.

The board of Directors does not recommend any final dividend for the year ended 31 March 2006 and the basic earnings per share is 0.32 HK cent.

During the year under review, market for the construction of information projects from government and enterprises kept expanding. The competition is increasing in the continuous growing telecommunications industry. Focusing on the market opportunity, development of new technology and demand on application contract, the Group has adjusted its "continuous creativity" and started a series of implementation:-

- New system products: in recent years, investment in railway transportation and the construction of railway in cities is huge. The Group captures this potential development market and reorganises its core technology and market resources advantage, focuses on the creativity of system products. The first multi media view control system in railway transportation – Guangzhou Underground Railway Line 4 and 5, has passed customer's inspection. Its contribution will be reflected in next few years' project construction.
- New sales services model: aimed at the decrease in fixed assets investments by telecommunications operators and enhanced changes in new application services market, sales of telecommunications value-added solutions to enterprises have changed to provide long term stable overall technology cooperation projects. We cope with operators in different locations and type, utilising our research and development resources and practicable system application software, and we have developed cooperative projects with domestic backbone telecommunications operators in over 10 cities and overseas telecommunications operators in a few countries. This will contribute to the Group's stable income in the next few years.

CHAIRMAN'S STATEMENT

- New solutions: with the opening of telecommunications industry, telecommunications operators in the countries of South East Asia have followed the operation content and services model of China Telecom. With its years of technology and services basis, the Group actively provides competitive solutions to these operators, which developed a market for its products.
- New technology development model: to increase the productivity of product development with reduce related cost, the Group does not only concentrate its resources advantage on technology and product development, but also cooperates with others for the development domestically and in overseas. During the year under review, the Group has alliance with international and domestic famous enterprises in the areas software system, hardware parts and system integration. These have reduced product development period and increased productivity.
- New product's applications area: the core competitive power of Global Link is the creativity on software and application. In view of government's promotion and citizens' increasing living demand, the Group focuses on developing new zone for communications and information application services. The Group has apply the telecommunications operation concept and product technology to the e-commercial area in talent, education and medical industry. The Group also started cooperation with large size multinational cooperations in trading of certain information application products and in the provision of related technology services. It will provide huge room for the Group's future earnings.

During the year under review, the Group can cope with the development trend of market demand, linked with its own resources, the Group has kept creativity in areas of products, technology, market and operations, and the Group has made operating income more steady and stable.

Viewing into the future, the Group believes, through strengthened cooperative projects with telecommunications operators and the steady increase in resources invested in railway transportation and government informative projects, and through a series of creative implementation, the Group will get better impact on products application, market development, long term earning from expending and stable cooperative projects and the influencing power of "Global Link" brand name in the industry, and shareholders will get better return.

I would like to express my sincere gratitude to the Directors, senior management and employees for their contribution and to our shareholders, customers and allied parties for their full support.

Ma Yuanguang

Chairman

Hong Kong, 22 June 2006

Global Link is a creator of communication message software. It principally engages in the research and development and provision of telecommunications software solutions for new telecommunications services and value-added telecommunications services. The Group also carries out creative software development for enterprises and government's construction of information infrastructure as well as provides other communication network solutions in the PRC and in other parts of the Asia-Pacific region.

MARKET OVERVIEW

Following PRC's economic development and continuous policy changes, government to serve the society, citizens and to increase informative level are now important missions for the construction of a country. Huge investment will be generated from informative and security projects, whereas market capacity and development products and demand for service have good prospect. Telecommunications operators, on the basis of receiving advanced network technology, have changed its operation model, aiming at cooperative operation with selected providers to capture market share and to increase earnings. Creative software product and long term project through cooperative model will have huge market opportunity.

BUSINESS REVIEW

During the year under review, following implementation of the Group's "continuous creativity" strategy, the Group has developed its product into security area of railway transportation, informative network project for government recruitment and manufacturing enterprise's certain informative application product. Apart from sales of product in the telecommunication industry, the Group has also established long term stable cooperative projects with both domestic and overseas telecommunications operators. The quantity of these cooperative projects will increase in the future. The Group's earnings will increase following the launch of creative application products.

The Group's turnover for the year was approximately HK\$25,736,000, representing approximately 14% decrease from that of last year. Gross profit amounted to approximately HK\$5,556,000, gross profit margin was approximately 22%, which are fairly stable comparing with those of last corresponding period. Profit attributable to equity shareholders of the Company amounted to approximately HK\$2,140,000 (2005: Loss attributable to equity shareholders of the Company amounted to approximately HK\$8,787,000 (restated)).

The Group believes an enterprise's survival depends on its creativity. During the year under review, strategy formulation, implementation, resources allocation and human resources were all achieved with reference to the "continuous creativity" core strategy. This made our system products, operation model, solutions and technology development achieving high level creativity.

- (1) The results media view control system, a high-tech and adopted to train's special circumstances system, is now used in Guangzhou Underground Railway Line 4. It is a new technology system product used in the PRC railway transportation. This technology standard is now adopted by train manufacturer in certain core cities' similar projects. This made the Group more competitive in developing the market in new cities.
- (2) New telecommunications value-added content and application services have captured new overseas customers. The creative product services content and unique characteristic solutions have brought earnings for the Group.
- (3) Through cooperative research and planning with telecommunications operators, the Group can capture more market share and develop profitable solutions. The Group's solutions have got an award in "2005 Hundred Successful Telecommunications Solutions" referred by "Communication World", "Telecommunications Technology" and "Telecommunications Services", the three authority media in PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER BY REGION

During the year under review, with Guangzhou Global Link Communications Inc. ("GZGL") as the base, through sales network all over the country, the Group aimed backbone telecommunications operations and value-added services agent and newly added railway transportation, government informative project, large size enterprises' information services network, electricity informative area as target customers and projects. The Group's turnover recognised in the PRC amounted to approximately HK\$10,942,000, representing approximately 43% of the Group's turnover for the year.

Under the Group's entire plan, overseas telecommunications operators have developed new application content products which made the Group's solution products more competitive. The Group also started cooperation with certain large size multi-national corporations to provide trading and technical services on certain information application products to information product manufactures. During the year under review, the Group's realized turnover in Hong Kong and the overseas market is approximately HK\$14,794,000, represent approximately 57% of the Group's turnover for the year.

CUSTOMER ANALYSIS

In the year under review, the Group's customers are mainly PRC backbone telecommunication operators and overseas telecommunications operators and value-added services providers. The Group's products have developed into railway transportation, government informative project, large size enterprises information service network, electricity informative and management enterprises' informative product.

WIDE-RANGING ALLIANCE

Through years of practical experience, the Group realised wide-ranging alliance and effective resources reallocation necessary for enterprise's development. During the year under review, the Group has established alliance with telecommunications operators, software platform manufacturers, system integrator and famous research centre with dominate result.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company since last accounting year.

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 31 March 2006, the Group has a total cash and bank balances, amounted to approximately HK\$4,193,000, which are mainly generated from initial market capitalisation and daily operation.

BUSINESS OUTLOOK

With board and foreseeable market in the PRC's communication informative, railway transportation security construction, the Group's management believe that through continuous enhancement of its creative strategy and implementation of new project, Global Link will achieve better operating earnings.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had net current assets of approximately HK\$4,653,000 (2005: approximately HK\$1,942,000), of which approximately HK\$4,193,000 (2005: approximately HK\$4,369,000) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

The Group had no charges on its assets for the year under review.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

GEARING RATIO

The Group did not have any interest bearing bank loan and other borrowings for the year under review.

FOREIGN EXCHANGE EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. Accordingly, the Directors do not consider that the Group is significantly exposed to foreign exchange risk and therefore it is not necessary to implement any hedging policy for the Group.

SEGMENT REVENUE

The Group's segment revenue is primary based on the geographical locations of customers. However, for those customers who are located in areas where the Group do not have assets or liabilities were treated as revenue arising in Hong Kong for presentation purpose.

CONTINGENT LIABILITIES

At 31 March 2006, banking facilities amounting to HK\$1,500,000 (2005: HK\$2,500,000) granted by a bank to a wholly owned subsidiary were guaranteed by the Company.

EMPLOYEE AND SALARIES POLICY

As at 31 March 2006, the Group has 63 staff (2005: 62 staff), with 53 and 10 staff employed in the PRC and Hong Kong respectively.

	At 31 March 2006	At 31 March 2005
	Number of staff	Number of staff
Management, finance and administration	18	17
Research and development	25	24
Marketing and sales	20	21
Total	63	62

The total staff costs, including Directors' emoluments, amounted to approximately HK\$5,033,000 (2005: approximately HK\$5,454,000 (restated)) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including share option scheme, Mandatory Provident Fund Scheme, social insurance and accident insurance for frequent travel staff.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ma Yuanguang (馬遠光), aged 52, is the co-founder of the Group and is also the chairman of the board of Directors. Mr. Ma is responsible for the overall strategic planning of the Group. Mr. Ma has over twenty-eight years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC. Mr. Ma is also the compliance officer and member of the remuneration committee of the Company. Mr. Ma is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited, all being subsidiaries of the Company.

Mr. Hu Zhi Jian (胡志堅) aged 42, is the founding staff of the Group and is also the chief executive officer of the Group. Mr. Hu is responsible for overseeing the research and development and production of the Group. Mr. Hu has engaged in the research and development of communication technologies for more than ten years. Prior to joining the Group, he was the manager of research and development department of various companies and the introduction of technologies. Mr. Hu received a degree from the Automation Department (自動控制系) of the Huazhong University of Science and Technology (華中工學院). Mr. Hu is also a director of Guangzhou Global Link Communications Inc., 北京國聯偉業通信技術有限公司, all being subsidiaries of the Company.

Mr. Li Guo Ping (李國平), aged 43, is responsible for the marketing planning, sales management and the distribution of the Group's solutions. Mr. Li joined the Group in March 2000. Mr. Li has over ten years working experience in marketing and has established extensive network in the PRC. Mr. Li received his degree from the Physics Department of the Chengdu University of Electronic Science and technology of China (成都電子科技大學). Mr. Li is also a director of Guangzhou Global Link Communications Inc., a subsidiary of the Company.

Mr. Chau Siu Piu (巢笑靄), aged 38, is the co-founder of the Group. Mr. Chau is responsible for the general administration and business development of the Group and participated in the management and daily operation of the Group. Mr. Chau received his degree from the Economics Department of Zhongshan (Sun Yat-sen) University (中山大學). Mr. Chau is also an authorized representative of the Company. Mr. Chau is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited, all being subsidiaries of the Company.

Mr. Lo Kam Hon, Gary (勞錦漢), aged 42, is also the Group's company secretary. Mr. Lo is a qualified accountant, responsible for the Group's financial and cash flow management and budget control. Mr. Lo is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo joined the Group in February 2003 and have more than fifteen years' experience in finance, accountancy and treasury. Mr. Lo is also an authorized representative of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Wing Kee Eng, Lee, aged 53. Mr. Lee joined the Group in May 2002. Mr. Lee has over 20 years of experience in the telecommunications industry. Mr. Lee pursued his career with Harris Corporation where he had been a visiting engineer, senior engineer and the head of sales of the Pan Asia Pacific region. Mr. Lee has also been the vice president of the marketing department of one telecom operator in the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Tiejun (胡鉄君), aged 55. Mr. Hu joined the Group in November 2002. Mr. Hu holds a Bachelor Degree in Physics from the Zhongshan (Sun Yat-sen) University (中山大學) and has over twenty years' experience in telecommunications, computer systems, data warehouse and information network. Mr. Hu was an alternate director of China Motion Telecom International Limited, a listed company in Hong Kong. Mr. Hu is also the chairman of the remuneration committee and audit committee of the Company.

Professor Lu Ting Jie (呂廷杰), aged 51. Professor Lu joined the Group in November 2002. Professor Lu graduated from the Beijing University of Posts and Telecommunications (北京郵電學院) with a Master's degree, and obtained a Doctorate degree from Japan's Kyoto University (京都大學). Professor Lu is a tutor for doctorate students at the graduate school of Beijing University of Posts and Telecommunications. He had contributed a number of thesis and articles in the area of economics, communications and telecommunications. Mr. Lu is also a member of the audit committee of the Company.

Mr. Leung Kwok Keung, (梁覺強), aged 43, is the financial controller of a listed company in the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has more than 15 years' experience in finance, accountancy and treasury. Mr. Leung is also a member of the remuneration committee and audit committee of the Company.

SENIOR MANAGEMENT

Mr. Li Guo Hui (李國輝), aged 50, the assistant to general manager of Guangzhou Global Link Communications Inc. since April 1999, is accountable for the system manufacturing, project implementation, after-sales technical services and the quality control of the Group. Mr. Li Guo Hui has over twenty years' working experience in the telecommunications industry particularly in the quality control and manufacturing management process. Mr. Li is also a director of Guangzhou Global Link Communications Inc., subsidiaries of the Company.

Mr. Zhang Wei Jing (張維敬), aged 38, joined Guangzhou Global Link Communications Inc. in July 2000 and is the deputy general manager. Mr. Zhang Wei Jing has near ten years' working experience in the marketing and sales in the telecommunications industry.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 19 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2006.

RESERVES

The movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 28 to the financial statements respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2006, the Company recorded a negative amount for its reserves amounted to approximately HK\$3,778,000 (2005: negative reserves approximately HK\$2,898,000) and therefore did not have reserves available for distribution to shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

Financial Highlights

	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)	(restated)		
Turnover	25,736	30,107	36,473	33,116	34,634
Gross Profit	5,556	6,289	3,832	10,193	14,368
Profit/(loss) before Taxation	2,138	(8,772)	(23,126)	2,291	11,010
Profit/(loss) attributable to equity holders of the Company	2,140	(8,787)	(23,108)	2,039	10,072
Total Assets	12,805	14,812	23,213	45,363	21,704
Total Liabilities	6,879	11,108	10,813	(10,245)	(10,041)
Minority Interests	–	2	29	–	–
Net Assets	5,926	3,704	12,401	35,118	11,663

Note: The Financial Summary of the Group for the year ended 31 March 2002 have been extracted from the Company's Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	46%
– five largest suppliers combined	62%

Sales

– the largest customer	32%
– five largest customers combined	58%

None of the Directors, any of their associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Ma Yuanguang
Mr. Hu Zhi Jian
Mr. Li Guo Ping
Mr. Chau Siu Piu
Mr. Lo Kam Hon, Gary

Non-executive Director

Mr. Wing Kee Eng, Lee

Independent non-executive Directors

Mr. Hu Tiejun
Professor Lu Ting Jie
Mr. Leung Kwok Keung

In accordance with the Company's articles of association and subject to the proposed amendments being passed at the forthcoming annual general meeting of the Company, Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Li Guo Ping will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Directors confirms that it has received from each of its independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the income statement for the year are set out in note 17 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Li Guo Ping and Mr. Chau Siu Piu has entered into a service contract with the Company for a term of two years commencing from 1 November 2004. Mr. Lo Kam Hon, Gary has entered into a service contract with the Company for a term of two years commencing from 23 September 2004. All such service contract may be terminated by either party thereto giving to the other not less than three months' prior written notice.

Each of Mr. Wing Kee Eng, Lee, Mr. Hu Tiejun and Mr. Lu Ting Jie has been appointed for a term of two years commencing from 1 November 2004 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2004. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and of the five highest paid employees of the Group are set out in note 16 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 8 of this report.

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

As at 31 March 2006, 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%
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%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Chau Siu Piu	Company	Beneficial owner	58,560,400 ordinary shares Long position	8.87%
		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%
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:

- Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 4,861,000 shares, 7,778,000 shares, 2,778,000 shares, 833,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Li Guo Ping, Chau Siu Piu, 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.
- 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.
- 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 31 March 2006, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, 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 shareholding
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.58%

Save as disclosed above, as at 31 March 2006, 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.

REPORT OF THE DIRECTORS

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 granted	Outstanding as at 1 April 2005	Number of share options under the Pre-IPO Share Option Scheme		Outstanding as at 31 March 2006
				Lapsed during the year under review	Exercised during the year under review	
<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		57,771,000	45,526,000	-	-	45,526,000

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain Directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of shares of the Company on the GEM board. Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 50% of the shares so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, and (ii) the remaining 50% of the options granted to him/her (rounded down to the nearest whole number) at any time after 24 months from the Listing Date, and in each case, not later than 10 years from the date of the grant of the options.

As at the date of this report, there are 45,526,000 outstanding share options granted under the Pre-IPO Share Option Scheme representing approximately 6.9% of the issued share capital of the Company if the said share options are exercised in full.

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. The total number of shares of the Company issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period, subject to any performance target specified by the Directors, commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of Directors which shall not be more than 10 years from the date on which the option is deemed to be granted and accepted. A consideration of HK\$1 will be payable upon acceptance of the offer. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. The subscription price should, subject to the adjustment as stated on the Share Option Scheme, be a price determined by the Directors and should be at least the highest of (i) the nominal value of a Share; (ii) the closing price per Share as stated on the daily quotation sheets revised by the Stock Exchange on the offer date, which should be a business day; or (iii) the average closing price of the shares as stated in the daily quotation sheets revised by the Stock Exchange for the five-business days immediately preceding the offer date.

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

Capacity	Date of grant	Number of share options granted	Number of share options under Share Option Scheme				Exercise price
			Outstanding as at 1 April 2005	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 31 March 2006	
<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	6,510,000	4,730,000	-	-	4,730,000	

The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.120.

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

The Directors consider that disclosure of value of options granted during the year is not appropriate because in the absence of a readily available market value of the options on the Company's shares, they are unable to arrive at an accurate assessment of the value of the options granted.

As at the date of this report, 4,730,000 shares of the Company are available for issue under the Share Option Scheme, representing 0.72% of the issued share capital of the Company if the said share options are exercised in full.

REPORT OF THE DIRECTORS

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus and note 27 to the financial statements.

COMPETING INTERESTS

Save as disclosed in the Prospectus the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which may such person has or may have with the Group as at 31 March 2006.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the board practices and procedures as set out in Appendix 15 of the GEM Listing Rules.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 19 to 23 of this report.

AUDITORS

The financial statements have been audited by RSM Nelson Wheeler who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Yuanguang

Chairman

Hong Kong, 22 June 2006

INTRODUCTION

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules throughout the period under review, except that:-

Under the code provision A.2.1, the roles of the chairman and the chief executive officer of the Company should be separated and should not be performed by the same individual. On 30 March 2006, the board of Directors resolved that Mr. Ma Yuanguang should be retained as the chairman of the Company whereas Mr. Hu Zhi Jian was appointed as the chief executive officer of the Company with effect from 30 March 2006.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the company provide that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation. In order to comply with the code provision A.4.2, amendments will be proposed at the forthcoming annual general meeting to specify that every Director shall be subject to retirement by rotation at least once every three years.

Under the code provision A.5.4, the Company shall establish written guidelines regarding dealing of the Company's securities applicable to the relevant employees of the Company. The Company has established such written guidelines for the Directors and the application of the written guidelines has only be extended to the relevant employees of the Company since 30 March, 2006.

Under the code provision B.1.1, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. It was not until 30 March 2006 that the Company established a remuneration committee as required under the code provision B.1.1.

Under the code provision D.1.2, the Company shall establish written guidelines as to the functions and delegation between the board of Directors and the management of the Company. It was not until 30 March 2006 that the Company adopted such written guidelines as required under the code provision D.1.2.

DIRECTORS' SECURITIES TRANSACTIONS

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 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 year ended 31 March 2006.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors, which currently comprises nine Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

CORPORATE GOVERNANCE REPORT

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Ma Yuanguang is the chairman of the board of Directors and an executive Director. Mr. Hu Zhi Jian is the chief executive officer of the Company and an executive Director.

To improve the transparency and independency of the corporate governance, the chairman and chief executive officer of the Company are segregated and are not exercised by the same individual with effect from 30 March 2006.

The executive Directors include 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 is Mr. Wing Kee Eng, Lee. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung are the independent non-executive Directors.

Each of Mr. Wing Kee Eng, Lee, Mr. Hu Tiejun and Mr. Lu Ting Jie has been appointed for a term of two years commencing from 1 November 2004 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2004. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the board of Directors are as follows:

Directors	Attendance
<i>Executive Directors</i>	
Mr. Ma Yuanguang (<i>Chairman</i>)	4/4
Mr. Hu Zhi Jian (<i>Chief executive officers</i>)	4/4
Mr. Li Guo Ping	4/4
Mr. Chau Siu Piu	4/4
Mr. Lo Kam Hon, Gary	4/4
<i>Non-executive Director</i>	
Mr. Wing Kee Eng, Lee	4/4
<i>Independent non-executive Directors</i>	
Mr. Hu Tiejun	4/4
Mr. Lu Ting Jie	4/4
Mr. Leung Kwok Keung	4/4

Apart from the above regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

REMUNERATION OF DIRECTORS

The remuneration committee was established in March 2006. The chairman of the committee is Mr. Hu Tiejun, an independent non-executive Director, and other members include Mr Leung Kwok Keung and Mr. Ma Yuanguang, the majority being independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of Directors of the remuneration of non-executive Directors. The remuneration committee should consider factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration.

During the period under review, a meeting of the remuneration committee was held in March 2006. Details of the attendance of the remuneration committee meeting are as follows:

Members	Attendance
Mr. Hu Tiejun (<i>chairman</i>)	1/1
Mr. Leung Kwok Keung	1/1
Mr. Ma Yuanguang	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and senior management and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

The board of Directors considers the past performance and qualification of the candidates for Directors, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year under review.

CORPORATE GOVERNANCE REPORT

The board of Directors held a meeting for nomination of Directors on 22 June 2006. Details of the attendance of the meeting are as follows:–

Directors	Attendance
<i>Executive Directors</i>	
Mr. Ma Yuanguang (<i>Chairman</i>)	1/1
Mr. Hu Zhi Jian (<i>Chief executive officers</i>)	1/1
Mr. Li Guo Ping	1/1
Mr. Chau Siu Piu	1/1
Mr. Lo Kam Hon, Gary	1/1
<i>Non-executive Director</i>	
Mr. Wing Kee Eng, Lee	1/1
<i>Independent non-executive Directors</i>	
Mr. Hu Tiejun	1/1
Mr. Lu Ting Jie	1/1
Mr. Leung Kwok Keung	1/1

During the meeting, the board of Directors considered and resolved that all the existing Directors should be recommended to be retained by the Company. Further, in accordance with the Company's articles of association and subject to the proposed amendments being passed at the forthcoming annual general meeting, the board of Directors resolved that Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Li Guo Ping will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of approximately HK\$280,000 to the external auditors for its services including audit, taxation, due diligence and other advisory services.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Hu Tiejun.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Hu Tiejun (<i>Chairman</i>)	4/4
Mr. Lu Ting Jie	4/4
Mr. Leung Kwok Keung	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 24 of this report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

AUDITORS' REPORT

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

22 June 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
Turnover	7(a)	25,736	30,107
Cost of sales		(20,180)	(23,818)
Gross profit		5,556	6,289
Other income	7(b)	5,760	3,630
Selling expenses		(3,590)	(3,773)
Administrative expenses		(5,566)	(14,902)
Profit/(loss) from operations	9	2,160	(8,756)
Finance costs	11	(22)	(16)
Profit/(loss) before taxation		2,138	(8,772)
Taxation	12	-	(42)
Profit/(loss) for the year	13	2,138	(8,814)
Attributable to:			
Equity holders of the Company		2,140	(8,787)
Minority interests		(2)	(27)
		2,138	(8,814)
Earnings/(loss) per share (in HK cents)	15		
- Basic		0.32 cent	(1.33 cent)
- Diluted		0.32 cent	N/A

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current assets			
Fixed assets	18	1,273	1,762
Current assets			
Trade and other receivables	21	5,912	8,035
Prepayments and deposits		578	321
Tax refundable		80	23
Pledged bank deposits	22	769	302
Bank and cash balances	23	4,193	4,369
		11,532	13,050
Current liabilities			
Trade and other payables	24	6,636	10,865
Provision for taxation		243	243
		6,879	11,108
Net current assets			
		4,653	1,942
Net assets			
		5,926	3,704
Capital and reserves			
Share capital	26	6,600	6,600
Reserves		(674)	(2,898)
Total equity attributable to equity holders of the Company		5,926	3,702
Minority interests		-	2
Total equity			
		5,926	3,704

Approved by the Board of Directors on 22 June 2006.

Ma Yuanguang
 Director

Chau Siu Piu
 Director

BALANCE SHEET

AT 31 MARCH 2006

	Note	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current assets			
Investments in subsidiaries	19	21	21
Current assets			
Prepayments and deposits		188	188
Due from a subsidiary	20	10,193	10,193
		10,381	10,381
Current liabilities			
Other payables	24	265	210
Due to a subsidiary	20	7,315	6,490
		7,580	6,700
Net current assets		2,801	3,681
Net assets		2,822	3,702
Capital and reserves			
Share capital	26	6,600	6,600
Reserves	28	(3,778)	(2,898)
Total equity attributable to equity holders of the Company		2,822	3,702

Approved by the Board of Directors on 22 June 2006.

Ma Yuanguang

Director

Chau Siu Piu

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

	Attributable to equity holders of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note a)</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i> <i>(restated)</i>	Accumulated losses <i>HK\$'000</i> <i>(restated)</i>	Statutory reserves <i>HK\$'000</i> <i>(note b)</i>	Total <i>HK\$'000</i> <i>(restated)</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i> <i>(restated)</i>
At 1 April 2004	6,600	15,120	2,135	12	-	(12,286)	820	12,401	29	12,430
Equity-settled share-based payments <i>(note 3(b))</i>	-	-	-	-	30	(30)	-	-	-	-
Restated balance	6,600	15,120	2,135	12	30	(12,316)	820	12,401	29	12,430
Loss for the year	-	-	-	-	-	(8,787)	-	(8,787)	(27)	(8,814)
Total recognised income and expense for the year	-	-	-	-	-	(8,787)	-	(8,787)	(27)	(8,814)
Equity-settled share-based payments <i>(note 3(b))</i>	-	-	-	-	88	-	-	88	-	88
Transfer to statutory reserves	-	-	-	-	-	(1,253)	1,253	-	-	-
At 31 March 2005 and 1 April 2005	6,600	15,120	2,135	12	118	(22,356)	2,073	3,702	2	3,704
Exchange differences on translating foreign operations	-	-	-	25	-	-	-	25	-	25
Net income recognised directly in equity	-	-	-	25	-	-	-	25	-	25
Profit for the year	-	-	-	-	-	2,140	-	2,140	(2)	2,138
Total recognised income and expense for the year	-	-	-	25	-	2,140	-	2,165	(2)	2,163
Equity-settled share-based payments <i>(note 3(b))</i>	-	-	-	-	59	-	-	59	-	59
Transfer to statutory reserves	-	-	-	-	-	(74)	74	-	-	-
At 31 March 2006	6,600	15,120	2,135	37	177	(20,290)	2,147	5,926	-	5,926

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 a subsidiary in the People's Republic of China (the "PRC").

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

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ANNUAL REPORT 2005/06

	2006 HK\$'000	2005 HK\$'000 (restated)
Operating activities		
Profit/(loss) before taxation	2,138	(8,772)
Adjustments for:		
Depreciation	536	491
Bad debts written off	348	–
Allowances for bad and doubtful debts	836	8,430
Loss on disposal of fixed assets	–	20
Bad debts recovery	(4,592)	(2,696)
Bank interest income	(45)	(21)
Equity-settled share-based payments	59	88
Operating loss before changes in working capital	(720)	(2,460)
Decrease in inventories	–	55
Decrease/(increase) in trade and other receivables	5,531	(3,299)
(Increase)/decrease in prepayments and deposits	(257)	1,665
(Decrease)/increase in trade and other payables	(4,229)	325
Cash generated from/(used in) operations	325	(3,714)
Withholding tax (paid)/refund	(57)	43
Income tax paid	–	(65)
Net cash generated from/(used in) operating activities	268	(3,736)
Investing activities		
Purchase of fixed assets	(47)	(37)
Bank interest received	45	21
Increase in pledged bank deposits	(467)	(302)
Net cash used in investing activities	(469)	(318)
Net decrease in cash and cash equivalents	(201)	(4,054)
Cash and cash equivalents at beginning of year	4,369	8,423
Effect on foreign currency translation	25	–
Cash and cash equivalents at end of year	4,193	4,369
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	4,193	4,369

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is 6/F., Kexun Building, No. 60 Jian Zhong Road, Zhongshan Avenue, High-Tech Industrial Park, Tianhe District, Guangzhou City, Guangdong Province, The People's Republic of China. The Company's shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 and by the Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

(a) Presentation of financial statements

HKAS 1 Presentation of Financial Statements affects the presentation of minority interests and other disclosures.

(b) Share-based payment

The adoption of HKFRS 2 Share-based Payment has resulted in change in the accounting policy for employee share options. Prior to this, the grant of share options to employees did not result in a charge to the income statement. Upon the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods and expensed to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(b) Share-based payment *(Continued)*

The adoption of HKFRS 2 resulted in an increase in share option reserve and increase in accumulated losses at 1 April 2004 by HK\$30,000 and HK\$30,000 respectively and resulted in changes in the amounts reported in the financial statements as follows:

	2006 HK\$'000	2005 <i>HK\$'000</i>
Increase in share option reserve	59	88
Increase in accumulated losses	177	118
Increase in administrative expenses	59	88
(Decrease in earnings per share)/increase in loss per share	(0.01 cent)	0.01 cent

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) *Translation of consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the rate of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
- all resulting exchange differences are recognised as in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation of consolidation *(Continued)*

On consolidation, exchange differences arising from the transaction of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the profit or loss on disposal.

(c) Fixed assets

All fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Furniture and fixtures	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	3 years
Tools and equipment	5 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of an Group's cash management are also included as a component of cash and cash equivalents.

(g) Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(h) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue from the supply, development and integration of message communication systems is recognised when the merchandise is delivered and the related development and integration services are completed.

Interest income is recognised on a time-proportion basis using the effective interest method.

(k) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(l) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(m) Borrowing costs

Borrowing costs are recognised in income statement in the period in which they are incurred.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that geographical be presented as the primary reporting format and business segments as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets and trade receivables. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loan, borrowings, corporate and financing expenses and minority interests.

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

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4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans for the benefit of employees of the Group or of any entity that is a related party of the Group.

(q) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

5. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for bad and doubtful debts

The allowances policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the accounts receivable included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER AND REVENUE

	2006 HK\$'000	2005 HK\$'000
(a) Turnover		
Revenue from the supply, development and integration of message communication systems	25,736	30,107
(b) Other income		
Other revenue		
Bad debts recovery	4,592	2,696
Bank interest income	45	21
Refund on value-added tax	600	873
	5,237	3,590
Sundry income	523	40
Total other income	5,760	3,630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

8. 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. Segment assets, liabilities, capital expenditure, depreciation and other non-cash expenses are based on the geographical locations of assets.

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; and
- Small to medium size operators and other customers.

There are no sales between the business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

8. SEGMENTAL INFORMATION *(Continued)*

(a) Primary reporting format – geographical segments

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

	PRC		Hong Kong		Elimination		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (restated)
REVENUE								
External sales	10,942	19,620	14,794	10,487	-	-	25,736	30,107
Inter-segment sales*	2,498	2,512	283	784	(2,781)	(3,296)	-	-
	13,440	22,132	15,077	11,271	(2,781)	(3,296)	25,736	30,107
RESULT								
Segment result	2,648	(2,302)	1,535	(332)			4,183	(2,634)
Unallocated corporate expenses							(7,783)	(9,752)
Interest income							45	21
Other unallocated income							5,715	3,609
Profit/(loss) from operations							2,160	(8,756)
Finance costs							(22)	(16)
Taxation							-	(42)
Profit/(loss) for the year							2,138	(8,814)
ASSETS								
Segment assets	8,525	10,345	4,200	4,444			12,725	14,789
Unallocated assets							80	23
Total assets							12,805	14,812
LIABILITIES								
Segment liabilities	4,059	8,105	2,577	2,760			6,636	10,865
Unallocated liabilities							243	243
Total liabilities							6,879	11,108
OTHER INFORMATION								
Capital expenditure	47	33	-	4			47	37
Depreciation	533	489	3	2			536	491
Bad debts written off	348	-	-	-			348	-
Allowances for bad and doubtful debts	739	6,930	97	1,500			836	8,430

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

8. SEGMENTAL INFORMATION *(Continued)*

(b) Secondary reporting format – business segments

	Backbone operators		Small to medium operators and other customers		Unallocated assets		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Sales to external customers	3,621	6,716	22,115	23,391	-	-	25,736	30,107
Segment assets	1,762	2,575	3,715	4,483	7,328	7,754	12,805	14,812
Capital expenditure	-	-	-	-	47	37	47	37

9. PROFIT/(LOSS) FROM OPERATIONS

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

	2006 HK\$'000	2005 HK\$'000 (restated)
Auditors' remuneration	280	250
Allowances for bad and doubtful debts	836	8,430
Bad debts written off	348	-
Cost of inventories sold <i>(note 9(a))</i>	20,180	23,818
Depreciation <i>(note 9(a))</i>	536	491
Loss on disposal of fixed assets	-	20
Operating lease rentals – land and buildings	607	570
Net exchange loss	71	11
Staff costs, including directors' emoluments <i>(notes 9(a) and 10)</i>	5,033	5,454

Notes:

- (a) Cost of inventories sold includes HK\$1,850,000 (2005: HK\$1,646,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2006 HK\$'000	2005 HK\$'000 (restated)
Salaries and wages	4,716	5,102
Contribution to retirement benefit schemes	163	178
Equity-settled share-based payments	59	88
Provision for staff welfare benefits	95	86
	5,033	5,454

11. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Bank charges	22	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

12. TAXATION

Taxation in the consolidated income statement represents:

	2006 HK\$'000	2005 <i>HK\$'000</i>
PRC enterprise income tax – current	–	42

No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit sourced from Hong Kong for the year (2005: Nil).

PRC enterprise income tax 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., which is categorised as foreign investment enterprises, is entitled to preferential tax treatments including full exemption from PRC enterprise income tax for two years starting from its first profit-making year followed by a 50% reduction for the next consecutive three years. The subsidiary was in its fourth year of the preferential tax treatment in its statutory financial year ended 31 December 2005 and was therefore entitled 50% reduction from PRC enterprise income tax. The tax rate applicable to the subsidiary after the 50% reduction was 10.5%.

Taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the basic taxation rate in the PRC applicable to the Group as follows:

	2006 HK\$'000	2005 <i>HK\$'000</i> (restated)
Profit/(loss) before taxation	2,138	(8,772)
Calculated at a taxation rate of 33% (2005: 33%)	706	(2,895)
Effect of different taxation rates in other countries/regions	–	758
Effect of tax exemptions granted to PRC subsidiaries	145	806
Tax effect of income not subject to taxation	(2,122)	(584)
Tax effect of expenses not deductible for taxation purposes	360	1,234
Tax effect of unrecognised temporary differences	248	–
Effect of tax losses not recognised	656	708
Effect of withholding tax	7	15
Taxation charge for the year	–	42

13. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year attributable to the equity holders of the Company includes a loss of HK\$939,000 (2005: HK\$8,752,000 (restated)) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

14. DIVIDENDS

No dividend was paid or proposed during 2006, nor has any dividend been proposed since the balance sheet date (2005: Nil).

15. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of the basic earnings/(loss) per share for the year ended 31 March 2006 is based on the consolidated profit attributable to equity holders of the Company of HK\$2,140,000 (2005: consolidated loss attributable to equity holders of the Company of HK\$8,787,000 (restated)) and on the weighted average of 660,024,500 (2005: 660,024,500) ordinary shares of the Company in issue during the year.

(b) Diluted

The calculation of diluted earnings per share for the year is based on the consolidated profit attributable to equity holders of the Company for the year of approximately HK\$2,140,000.

The weighted average number of shares used in the calculation was 660,024,500 shares in issue during the year and the weighted average number of 11,772,380 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

No diluted loss per share has been presented for the year ended 31 March 2005 since the assumed exercise of the Company's outstanding share options would have anti-dilutive effect on loss per share.

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the 9 (2005: 10) directors were as follows:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Equity- settled share-based payments <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Year ended 31 March 2006					
<i>Executive directors:</i>					
Mr. Ma Yuanguang	–	384	12	–	396
Mr. Hu Zhi Jian	–	363	4	–	367
Mr. Li Guo Ping (<i>note (a)</i>)	–	143	5	–	148
Mr. Chau Siu Piu	–	240	12	–	252
Mr. Lo Kam Hon, Gary	–	120	6	4	130
	–	1,250	39	4	1,293

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Equity- settled share-based payments <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
<i>Independent non-executive directors:</i>					
Mr. Hu Tiejun	30	–	–	–	30
Professor Lu Ting Jie	30	–	–	–	30
Mr. Leung Kwok Keung	60	–	–	–	60
	120	–	–	–	120
<i>Non-executive director:</i>					
Mr. Wing Kee Eng, Lee	50	–	–	–	50
	170	1,250	39	4	1,463

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Equity- settled share-based payments <i>HK\$'000</i> (restated)	Total emoluments <i>HK\$'000</i> (restated)
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Year ended 31 March 2005

<i>Executive directors:</i>					
Mr. Ma Yuanguang	–	384	12	–	396
Mr. Hu Zhi Jian	–	360	–	–	360
Mr. Li Guo Ping	–	340	4	–	344
Dr. Lin Jiang (note (b))	–	12	1	–	13
Mr. Chau Siu Piu	–	240	12	–	252
Mr. Lo Kam Hon, Gary	–	120	6	7	133
	–	1,456	35	7	1,498

<i>Independent non-executive directors:</i>					
Mr. Hu Tiejun	30	–	–	–	30
Professor Lu Ting Jie	30	–	–	–	30
Mr. Leung Kwok Keung	31	–	–	–	31
	91	–	–	–	91
<i>Non-executive director:</i>					
Mr. Wing Kee Eng, Lee	50	–	–	–	50
	141	1,456	35	7	1,639

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

- (a) Pursuant to the service contract dated 24 October 2004, the total director remuneration for Mr. Li Guo Ping is HK\$360,000 for the year ended 31 March 2006. However, he agreed irrevocably to waive his entitlements to director emoluments since September 2005. The waiver was approved in board meeting dated 8 August 2005. Except for the waiver given by Mr. Li Guo Ping, there has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 March 2006.
- (b) Mr. Lin Jiang resigned as director during the year ended 31 March 2005.

The five highest-paid individuals of the Group for the year ended 31 March 2006 included three (2005: four) directors, details of which are disclosed above. Details of the emoluments of the remaining two (2005: one) highest paid individuals for the year ended 31 March 2006, which fell within the Nil to HK\$1,000,000 band, are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Basic salaries, other allowances and benefits in kind	326	156
Contributions to retirement benefit schemes	12	8
	338	164

During the year, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2005: Nil).

17. RETIREMENT BENEFITS

The Group participates in mandatory provident fund scheme established under Mandatory Provident Fund Ordinance ("MPF Scheme"). The Group is required to participate in a MPF Scheme operated by approved trustees in Hong Kong and to make compulsory contributions for its eligible employees. The Group's contributions to MPF Scheme are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month.

The employees of the Group participate in a retirement benefit plan (社會保險基金) organised by the Guangzhou Labour and Social Security Department (廣州市勞動和社會保障局) of the PRC under which the Group was required to make monthly defined contributions to the plan at certain rates of the relevant employees' basic salaries during the year.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments discussed above.

The total cost charged to the consolidated income statement of approximately HK\$163,000 (2005: HK\$178,000) represents contributions payable to the MPF Scheme and the retirement benefit plan in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

18. FIXED ASSETS

Group

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 April 2004	69	709	181	1,914	276	3,149
Additions	–	37	–	–	–	37
Disposals	–	(23)	–	–	–	(23)
At 31 March 2005 and 1 April 2005	69	723	181	1,914	276	3,163
Additions	9	38	–	–	–	47
At 31 March 2006	78	761	181	1,914	276	3,210
Accumulated depreciation						
At 1 April 2004	34	176	181	429	93	913
Charge for the year	7	122	–	316	46	491
Written back on disposal	–	(3)	–	–	–	(3)
At 31 March 2005 and 1 April 2005	41	295	181	745	139	1,401
Charge for the year	8	128	–	350	50	536
At 31 March 2006	49	423	181	1,095	189	1,937
Net book value						
At 31 March 2006	29	338	–	819	87	1,273
At 31 March 2005	28	428	–	1,169	137	1,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	21	21

Details of the subsidiaries as at 31 March 2006 are as follows:

Name of Company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
GL Limited	British Virgin Islands	21,052 ordinary shares of US\$1 each	100%	–	Investment holding
Hilltop Holdings Group Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	–	100%	Investment holding and holding of software rights
Guangzhou Global Link Communications Inc. (note (a))	PRC	Registered capital HK\$10,000,000	–	100%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions
北京國聯偉業通信技術有限公司 (note (b))	PRC	Registered capital RMB1,000,000	–	95%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions
Global Link Communications (HK) Limited	Hong Kong	100 ordinary shares of HK\$1 each	–	100%	Provision of value-added telecommunications solutions and telecommunications application software

(a) Guangzhou Global Link Communications Inc. is a wholly foreign owned enterprise with an operating period of 10 years expiring on 23 September 2008.

(b) 北京國聯偉業通信技術有限公司 is an enterprise with limited liability and an operating period of 20 years expiring on 12 May 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

20. DUE FROM/(TO) A SUBSIDIARY

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

21. TRADE AND OTHER RECEIVABLES

	Group	
	2006 HK\$'000	2005 HK\$'000
Trade receivables	5,477	7,058
Other receivables	435	883
Bills receivables	–	94
	5,912	8,035

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

	Group	
	2006 HK\$'000	2005 HK\$'000
Between 0 to 90 days	3,046	3,186
Between 91 to 180 days	900	2,106
Between 181 to 365 days	1,478	1,290
Between 1 to 2 years	53	476
	5,477	7,058

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

22. PLEDGED BANK DEPOSITS

The amounts represent bank deposits pledged to customers as guarantee for telecommunications projects.

23. BANK AND CASH BALANCES

Included in the bank and cash balances of the Group was approximately HK\$2,244,000 (2005: HK\$1,926,000) deposited with banks in the PRC and denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade payables	4,007	7,733	–	–
Other payables	2,629	3,132	265	210
	6,636	10,865	265	210

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

24. TRADE AND OTHER PAYABLES *(Continued)*

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

	Group	
	2006 HK\$'000	2005 HK\$'000
Between 0 to 90 days	138	1,898
Between 91 to 180 days	45	1,992
Between 181 to 365 days	247	1,836
Between 1 to 2 years	1,853	1,923
Over 2 years	1,724	84
	4,007	7,733

25. DEFERRED TAXATION

At 31 March 2006, the Group has unused tax losses of HK\$11,454,000 (2005: HK\$9,466,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$69,000, HK\$307,000 and HK\$951,000 (2005: HK\$69,000 and HK\$307,000 in 2008 and 2009 respectively) that will expire in 2008, 2009 and 2010 respectively according to the prevailing tax laws and regulations in the country in which the Group operates. Other losses may be carried forward indefinitely.

At 31 March 2006, the aggregate amount of temporary differences associated with allowances for bad and doubtful debts for which deferred tax assets have not been recognised was HK\$17,207,000 (2005: HK\$20,467,000). No asset has been recognised in respect of these differences because the directors are of the opinion that there are uncertainty whether the provisions will be accepted by the relevant local tax authority as tax deductible.

26. SHARE CAPITAL

	2006		2005	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary share of HK\$0.01 each	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid:				
Ordinary share of HK\$0.01 each	660,024,500	6,600	660,024,500	6,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

27. SHARE OPTION SCHEMES

The Group operates two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme of the Company adopted on 24 October 2002, the directors, employees, consultants and advisors of the Group were granted share options to subscribe for shares of the Company at an exercise price of HK\$0.036 each. Share options granted under the Pre-IPO Share Option Scheme have a duration of 10 years from the date of grant of the options and exercisable after one to two years from the date of listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

Under the Share Option Scheme of the Company adopted on 24 October 2002, the directors, employees and business associates may be granted share options to subscribe for shares of the Company at an exercise price determined by the Board of Directors and shall be at least the highest of (i) the nominal value of a share; (ii) the closing price of one share on the offer date; or (iii) the average closing price of the shares for the five business days immediately preceding the offer date. The options issued under the Share Option Scheme are exercisable within a period of not more than 10 years from the offer date and subject to vesting provisions as determined by the Board of Directors.

Each option gives the holder the right to subscribe for one share of the Company. A consideration of HK\$1 will be payable by the grantee upon acceptance of the offer of share options.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme were disclosed in the prospectus of the Company dated 31 October 2002.

Movements in share options are as follows:

	2006		2005	
	Number of share options Pre-IPO Share Option Scheme	Number of share options Share Option Scheme	Number of share options Pre-IPO Share Option Scheme	Number of share options Share Option Scheme
Outstanding at the beginning of year	45,526,000	4,730,000	46,720,000	6,230,000
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	(1,194,000)	(1,500,000)
Outstanding at the end of year	45,526,000	4,730,000	45,526,000	4,730,000
Vested at the end of year	45,526,000	4,730,000	45,526,000	2,365,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

27. SHARE OPTION SCHEMES (Continued)

Terms of unexpired and unexercised share options at 31 March 2006:

Option scheme	Date of grant	Vesting period	Remaining contractual life		Exercise period	Exercise price	2006	2005	
			at 31 March 2006	2005			No. of share options	No. of share options	
			years	years					
Pre-IPO Share Option Scheme	24 October 2002	24 October 2002 – 12 November 2003	6.6	7.6	13 November 2003 – 23 October 2012	HK\$0.036	18,472,500	18,472,500	(note (a))
Pre-IPO Share Option Scheme	24 October 2002	24 October 2002 – 12 November 2004	6.6	7.6	13 November 2004 – 23 October 2012	HK\$0.036	27,053,500	27,053,500	(note (a))
Share Option Scheme	10 December 2003	10 December 2003 – 9 December 2004	7.7	8.7	10 December 2004 – 9 December 2013	HK\$0.132	2,365,000	2,365,000	(note (a))
Share Option Scheme	10 December 2003	10 December 2003 – 9 December 2005	7.7	8.7	10 December 2005 – 9 December 2013	HK\$0.132	2,365,000	2,365,000	(note (b))

Note:

- (a) The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement polices have not been applied to these options granted, as these options were granted before 7 November 2002, or vested before 1 April 2005.
- (b) The estimated fair value at date of grant of each of the options granted under the Share Option Scheme is HK\$0.075.

The fair value was calculated using the Black-Scholes pricing mode. The inputs into the model were as follows:

Weighted average share price	HK\$0.123
Weighted average exercise price	HK\$0.132
Expected volatility	83.78%
Option life	10 years
Risk free rate	1.57%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over past 260 trade days ended 10 December 2003. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of HK\$59,000 (2005: HK\$88,000) related to equity-settled share-based payments transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

28. RESERVES

Company

	Share option reserve <i>HK\$'000</i> (restated)	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i> (restated)
1 April 2004	–	15,120	(9,354)	5,766
Equity-settled share-based payments <i>(note 3(b))</i>	30	–	(30)	–
Restated balance	30	15,120	(9,384)	5,766
Equity-settled share- based payments <i>(note 3(b))</i>	88	–	–	88
Loss for the year	–	–	(8,752)	(8,752)
At 31 March 2005 and 1 April 2005	118	15,120	(18,136)	(2,898)
Equity-settled share-based payment <i>(note 3(b))</i>	59	–	–	59
Loss for the year	–	–	(939)	(939)
At 31 March 2006	177	15,120	(19,075)	(3,778)

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the relevant provisions of the Articles of Association of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

29. COMMITMENTS

At 31 March 2006, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Not later than one year	547	522
In second to fifth years inclusive	502	–
	1,049	522

30. CONTINGENT LIABILITIES

At 31 March 2006, banking facilities amounting to HK\$1,500,000 (2005: HK\$2,500,000) granted by a bank to a wholly owned subsidiary were guaranteed by the Company.

At 31 March 2006, the Group did not have any material contingent liabilities.

31. COMPARATIVE FIGURES

As explained in note 3 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform to the current year's presentation and accounting treatment.