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Global Link

國 聯 通 信 控 股 有 限 公 司

**Global Link Communications Holdings Limited**

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

(Stock Code: 8060)

**Interim Report 2006**

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

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## HIGHLIGHTS

Turnover for the six months ended 30 September 2006 was HK\$14,812,000 representing a 31% increase from that of the last corresponding period.

Profit attributable to equity holders of the Company of approximately HK\$2,598,000 representing a 115% increase from that of the last corresponding period.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The board of directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (“Global Link” or the “Group”) for the three months and the six months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005 (“Last Corresponding Period”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended 30 September		For the six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	2 & 4	8,861	4,121	14,812	11,329
Cost of sales		(5,425)	(2,931)	(10,029)	(8,789)
Gross profit		3,436	1,190	4,783	2,540
Other revenue		601	1,317	1,804	3,495
Selling expenses		(818)	(898)	(1,573)	(1,733)
Administrative expenses		(1,092)	(938)	(2,263)	(3,086)
Profit from operations	3	2,127	671	2,751	1,216
Finance costs		(1)	(4)	(8)	(10)
Profit before taxation		2,126	667	2,743	1,206
Taxation	5	(150)	–	(145)	–
Profit for the period		1,976	667	2,598	1,206
<b>Attributable to:</b>					
Equity holders of the Company		1,976	668	2,598	1,208
Minority interests		–	(1)	–	(2)
		1,976	667	2,598	1,206
<b>Earnings per share (in HK cents)</b>	7				
– Basic		0.30	0.10	0.39	0.18
– Diluted		0.29	N/A	0.38	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2006 (Unaudited) <i>HK\$'000</i>	As at 31 March 2006 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	<b>1,029</b>	1,273
<b>CURRENT ASSETS</b>			
Inventories		<b>234</b>	–
Trade and other receivables	9	<b>13,368</b>	5,912
Prepayments and deposits		<b>491</b>	578
Tax refundable		<b>64</b>	80
Pledged bank deposits		<b>769</b>	769
Bank and cash balances		<b>3,462</b>	4,193
		<b>18,388</b>	11,532
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>10,505</b>	6,636
Provision for taxation	5	<b>388</b>	243
		<b>10,893</b>	6,879
<b>NET CURRENT ASSETS</b>			
		<b>7,495</b>	4,653
<b>NET ASSETS</b>			
		<b>8,524</b>	5,926
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>6,600</b>	6,600
Reserves		<b>1,924</b>	(674)
Total equity attributable to equity holders of the Company		<b>8,524</b>	5,926
Minority interests		–	–
<b>TOTAL EQUITY</b>			
		<b>8,524</b>	5,926

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	<b>30 September</b>	
	<b>2006</b>	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(733)	391
Net cash inflow from investing activities	<u>2</u>	<u>291</u>
(Decrease)/increase in cash and cash equivalents	(731)	682
Exchange difference arising on consolidation	–	398
Cash and cash equivalents at 1 April	<u>4,193</u>	<u>4,369</u>
Cash and cash equivalents at 30 September	<u><b>3,462</b></u>	<u><b>5,449</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange translation reserve	Share option reserve	Accumulated losses	Statutory reserve	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(note a)</i>		<i>(restated)</i>	<i>(restated)</i>	<i>(note b)</i>	<i>(restated)</i>
As at 1 April 2005	6,600	15,120	2,135	12	118	(22,356)	2,073	3,702
Profit for the period	–	–	–	–	–	1,208	–	1,208
Exchange difference	–	–	–	25	–	–	–	25
<b>As at 30 September 2005</b>	<u><b>6,600</b></u>	<u><b>15,120</b></u>	<u><b>2,135</b></u>	<u><b>37</b></u>	<u><b>118</b></u>	<u><b>(21,148)</b></u>	<u><b>2,073</b></u>	<u><b>4,935</b></u>
As at 1 April 2006	6,600	15,120	2,135	37	177	(20,290)	2,147	5,926
Profit for the period	–	–	–	–	–	2,598	–	2,598
Transfer to statutory reserve fund	–	–	–	–	–	(488)	488	–
<b>As at 30 September 2006</b>	<u><b>6,600</b></u>	<u><b>15,120</b></u>	<u><b>2,135</b></u>	<u><b>37</b></u>	<u><b>177</b></u>	<u><b>(18,180)</b></u>	<u><b>2,635</b></u>	<u><b>8,524</b></u>

Note:

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

The Group's unaudited interim results 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 accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2006 are consistent with those followed in the annual report of the Company for the year ended 31 March 2006.

### 2. Turnover and revenue

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

### 3. Profit from operations

Profit from operations is stated after charging the following:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	133	135	265	272
Operating lease rentals	138	145	311	325
Staff costs including directors' emolument	<u>1,016</u>	<u>1,132</u>	<u>2,120</u>	<u>2,308</u>

#### **4. Segmental information**

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

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

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

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

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

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

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

There are no sales between the business segments.

(a) *Primary reporting format – geographical segments*

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

	PRC		Hong Kong		Elimination		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	12,939	6,585	1,873	4,744	-	-	14,812	11,329
Inter-segment sales*	361	1,538	-	283	(361)	(1,821)	-	-
	<u>13,300</u>	<u>8,123</u>	<u>1,873</u>	<u>5,027</u>	<u>(361)</u>	<u>(1,821)</u>	<u>14,812</u>	<u>11,329</u>
RESULT								
Segment result	<u>3,433</u>	<u>1,338</u>	<u>721</u>	<u>(185)</u>	-	-	4,154	1,153
Unallocated corporate expenses							(3,207)	(3,432)
Interest income							23	18
Sundry income							1,781	3,477
Profit from operations							2,751	1,216
Finance costs							(8)	(10)
Taxation							(145)	0
							<u>2,598</u>	<u>1,206</u>
Minority interests							-	2
Profit attributable to equity holders of the Company							<u>2,598</u>	<u>1,208</u>

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

(b) *Secondary reporting format – business segments*

	Backbone operators		Small to medium operators and other customers		Unallocated assets		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	2,152	2,169	12,660	9,160	-	-	14,812	11,329
Segment assets	1,758	2,533	10,942	2,983	6,717	9,777	19,417	15,293
Capital expenditure	-	-	-	-	21	29	21	29



## 5. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the six months ended 30 September 2006 of the individual companies within the Group arising in Hong Kong. No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit for the six months ended 30 September 2006 (2005: Nil).

The PRC enterprise income tax (“EIT”) represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable. One of the PRC subsidiaries of the Group, Guangzhou Global Link Communications Inc., which is categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from EIT for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years. EIT tax charge for the six months ended 30 September 2006 was HK\$145,000 (2005: Nil).

There was no significant unprovided deferred taxation for the six months ended 30 September 2006.

## 6. **Dividend**

The Board does not recommend an interim dividend for the six months ended 30 September 2006 (2005: Nil).

## 7. **Earnings per share**

### (a) *Basic*

The calculation of the basic earnings per share for the three months ended 30 September 2006 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$1,976,000 (2005: HK\$668,000) and on the weighted average of 660,024,500 (2005: 660,024,500) ordinary shares of the Company in issue during the period.

The calculation of the basic earnings per share for the six months ended 30 September 2006 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$2,598,000 (2005: HK\$1,208,000) and on the weighted average of 660,024,500 (2005: 660,024,500) ordinary shares of the Company in issue during the period.

### (b) *Diluted*

The calculation of diluted earnings per share for the three months and six months ended 30 September 2006 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$1,976,000 and HK\$2,598,000.

The weighted average number of shares used in the calculation was 660,024,500 shares in issue for the three months ended 30 September 2006 and the weighted average number of 16,762,614 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.

The weighted average number of shares used in the calculation was 660,024,500 shares in issue for the six months ended 30 September 2006 and the weighted average number of 15,503,083 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 earnings per share has been presented for the three months and six months ended 30 September 2005 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on earnings per share.

**8. Fixed assets**

	<b>Six months ended 30 September 2006 (Unaudited) HK\$'000</b>
Opening balance	1,273
Additions	21
Depreciation	<u>(265)</u>
Closing balance	<u><b>1,029</b></u>

**9. Trade and other receivables**

	<b>As at 30 September 2006 (Unaudited) HK\$'000</b>	<b>As at 31 March 2006 (Audited) HK\$'000</b>
Trade receivables	12,700	5,477
Other receivables	<u>668</u>	<u>435</u>
	<u><b>13,368</b></u>	<u><b>5,912</b></u>

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

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

	<b>As at 30 September 2006 (Unaudited) HK\$'000</b>	<b>As at 31 March 2006 (Audited) HK\$'000</b>
Between 0 to 90 days	8,006	3,046
Between 91 to 180 days	2,802	900
Between 181 to 365 days	1,636	1,478
Between 1 to 2 years	<u>256</u>	<u>53</u>
	<u><b>12,700</b></u>	<u><b>5,477</b></u>

## 10. Trade and other payables

	<b>As at 30 September 2006 (Unaudited) HK\$'000</b>	<b>As at 31 March 2006 (Audited) HK\$'000</b>
Trade payables	7,747	4,007
Other payables	2,758	2,629
	<u>10,505</u>	<u>6,636</u>

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

	<b>As at 30 September 2006 (Unaudited) HK\$'000</b>	<b>As at 31 March 2006 (Audited) HK\$'000</b>
Between 0 to 90 days	3,458	138
Between 91 to 180 days	610	45
Between 181 to 365 days	113	247
Between 1 to 2 years	1,408	1,853
Over 2 years	2,158	1,724
	<u>7,747</u>	<u>4,007</u>

## 11. Commitments

At 30 September 2006, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>As at 30 September 2006 (Unaudited) HK\$'000</b>	<b>As at 31 March 2006 (Audited) HK\$'000</b>
Not later than one year	547	547
In second to fifth years inclusive	229	502
	<u>776</u>	<u>1,049</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

Global Link is principally engaged as a developer of new information communication software. Its research and development of new software is mainly for projects of telecommunication operators, value-added telecommunication services, sizeable enterprises' information infrastructure and railway transportation multi-media view channel control system in the PRC and in other parts of the Asia-Pacific region. It also provides information communication network software solution, design operation model, design technical scheme and related project services.

During the period under review, the Group, based on the PRC's railway transportation development trend, has established corresponding operation strategy:—

**Market:** Through internal transfer and external recruitment, the Group has enhanced its sales, technical and project teams. The Group utilized the existing railway view channel control system advantage, actively pursue opportunities underground railway construction, train construction and related project construction integration companies.

**Product technology:** With the existing technical solution base and by introducing the newest technology in the industry from foreign countries and secondary development, the Group has produced the core software of view channel control system and positioned at the leading level of the industry, which enables competitive advantages.

**Project:** Following the progression of Guangzhou Underground Railway Line 4, the installation of multi-media view channel control system for 300 existing trains for Beijing Underground Railway Line 1 also commenced, which enhanced the Group's brand name for the exploitation of new market.

During the period under review, the Group utilized its strength in creative research and development, based on the new products, expand its operation to the digital television network market. This market has great room for expansion following the substantial investment in the construction of digital television network in PRC's broadcasting industry.

The Group also implemented tight cost control on human resources, technology, research and development, production and project services. The Group anticipates to achieve a better operating earnings following the implementation of underground railway multi-media view channel control system and implementation of new projects.

## **Financial review**

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$14,812,000, representing an increase by approximately 31% comparing with that of the last corresponding period. Gross profit of approximately HK\$4,783,000 was recorded, and gross profit margin increase from approximately 22% to approximately 32%. Net profit attributable to shareholders of approximately HK\$2,598,000 was recorded in this period.

During the period under review, the Group kept selling traditional whole package value-added solutions to telecommunication operators. The Group has also started the installation of railway transportation view channel multi-media control system. These were the main reasons for the increase in turnover and gross profit for the six months ended 30 September 2006. The strength in credit control and reduced provision also contributed to the increase in profit for the period.

Due to the industry's nature and the Group's development strategy. The Group will continue to invest in research and development resources. However, following the launch of new products, the Group's gross profit have pick up again and now remain stable. The Group believes that by adopting continuous product development strategy, the products, operation model, solutions and technology developments will achieve high level creativity thus enabling the Group to capture higher market share.

## **Capital structure**

The Group carried out prudent financial policy: surplus cash is deposited in bank to finance operation and investments. Management will review the financial forecast on a regular basis to ensure the use of proceeds strictly follows those identified by the directors of the Company (the "Directors") during the normal course of business. As at 30 September 2006, the Group has a total cash and bank balance amounted to approximately HK\$3,462,000.

## **Employee information**

As at 30 September 2006, the Group had 53 employees (2005: 62 employees), 44 and 9 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2006, staff costs including Directors' remuneration was approximately HK\$2,120,000 (2005: approximately HK\$2,308,000). The decrease in staff cost was mainly due to the decrease in number of staff during the period under review.

## Liquidity, financial resources and gearing

As at 30 September 2006, the Group had net current assets of approximately HK\$7,495,000, of which approximately HK\$3,462,000 were bank and cash balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

## Contingent liabilities

As at 30 September 2006, the Group did not have any material contingent liabilities.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2006.

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

As at 30 September 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%

<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
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%
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%

<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
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, 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, 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.

Save as disclosed above, as at 30 September 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.



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

As at 30 September 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 shareholdings
Li Guo Ping	Interest of controlled corporation	68,744,800 ordinary shares Long position ( <i>Note</i> )	10.42%
Top Legend Investment Limited	Beneficial owner	68,744,800 ordinary shares Long position ( <i>Note</i> )	10.42%
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.58%

*Notes:*

Top Legend Investment Limited, the entire issued share capital of which is held by Li Guo Ping, is interested in the 68,744,800 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2006, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

## SHARE OPTION SCHEMES

Pursuant to the pre-IPO share option scheme adopted by the Company on 24 October 2002 (the “Pre-IPO Share Options Scheme”), the Directors and certain participants have been granted options to subscribe for shares of the Company at a subscription price of HK\$0.036 per share, representing 10% of the placing price of the shares of the Company as at 13 November 2002, details of which are set out as follows:

Name of grantee	Date of grant	Number of share options under the Pre-IPO Share Option Scheme				
		Number of share options granted	Outstanding as at 1 April 2006	Lapsed during the year under review	Exercised during the year under review	Outstanding as at 30 September 2006
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	–	–	10,556,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	–	–	8,889,000
Chau Siu Piu	24 October 2002	7,778,000	7,778,000	–	–	7,778,000
<i>Non-executive Director</i>						
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	–	–	2,778,000
<i>Independent non-executive Directors</i>						
Hu Tiejun	24 October 2002	833,000	833,000	–	–	833,000
Lu Ting Jie	24 October 2002	833,000	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	152,500	–	4,583,000
Other employees of the Group	24 October 2002	12,106,000	6,651,500	111,000	–	6,540,500
Others ( <i>Note</i> )	24 October 2002	3,833,000	2,333,000	–	–	2,333,000
Total		<u>57,771,000</u>	<u>45,526,000</u>	<u>263,500</u>	<u>–</u>	<u>45,262,500</u>

*Note:*

These refer to the former employees of the Group.

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

Details of share options granted pursuant to the Share Option Scheme are as follows:

Capacity	Date of grant	Number of share options under Share Option Scheme					Exercise price
		Number of share options granted	Outstanding as at 1 April 2006	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 30 September 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	550,000	-	3,830,000	HK\$0.132
Total		<u>6,510,000</u>	<u>4,730,000</u>	<u>550,000</u>	<u>-</u>	<u>4,180,000</u>	

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

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

No share options under the Share Option Scheme were granted during the six months ended 30 September 2006.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the period ended 30 September 2006.

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

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

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

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

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 3 members, namely Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited interim results for the six months ended 30 September 2006 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 13 November 2006

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