



年報 ANNUAL REPORT
2006/07

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 (resigned on 18 August 2006)
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, FCPA, ACA

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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,
High-Tech Industrial Park, Zhongshan Avenue,
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
The Bank of East Asia Limited
Guangzhou 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

GC Alliance Limited
Certified Public Accountants
Suites 2406-7
24/F, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

STOCK CODE

8060

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 2007 for shareholders' review.

During the year, the Group has started integral enterprise operation standing on its products and services concept "to increase enterprise's competitive advantage through creative products, to satisfy customer's actual demand through professional solution". The Group's operating result developed under the concept in a steady way during the year. The Group's turnover for the year was approximately HK\$37,105,000, represent a 44% increase from last year.

The Group's gross profit for the year was approximately HK\$11,867,000, and gross profit margin increased from approximately 22% to approximately 32%. The Group believes that market development through multi media view control system in railway transportation can enhance its products' competitive edge in the industry and the corresponding operating benefits. During the year, the Group continued to control the selling expenses accounts receivable and customer risks, which led to a net increase in cash flow corresponding to the increased turnover. The Group has operating profit for the year despite the significant increase in research and development expenses for new products.

The board of Directors does not recommend any final dividend for the year ended 31 March 2007 and the basic earnings per share is approximately HK 0.42 cents.

During the year under review, the PRC Government continued to increase investment in the railway transportation construction. Apart from railway between provinces and cities, the National Development and Reform Commission ("NDRC") has approved the construction of underground railway in 22 core cities. At the same time, the NDRC has put forward that at least 70% of the train manufacturer and underground railway constructor should be local companies. In the next 10 years, high investment will be made in the PRC's railway transportation to support the country's continuous economic development. Focusing on the market opportunity and the demand of new technology and application for specific environment, the Group adopted "creativity" as driver with "professional" as backbone as its operation policy to contribute corresponding dispositioning for the market development of related industries and achieved incredible impact. Global Link's competitive advantage were demonstrated in:

- market leader advantage: the multi media view channel control system were installed and used in operation for both new and old trains in the PRC and the Group's reliable system and good impact were highly appreciated by owners and train manufacturers.
- product technology advantage: the group has adopted the most advanced view channel compress and IP technology, passed related safety and technology certification, accorded with train's usage standard which became industry' guideline.
- localized advantage: the Group holds the core technology and self-developed technology patent, accord with the country's industry policy - wholly localized and costs advantage with competitive power.
- project technology advantage: the Group has experience in project design and construction technology for the specific environment for underground trains and the Group has provided consultancy and training to underground railway owners, train manufacturers and integrated companies.

CHAIRMAN'S STATEMENT

During the year, according to the development trend of the telecommunication and information industry, the Group, together with backbone operators, has developed and launched creative software solution for digging out new market increment. This has made a new market opportunity for enterprises' existing products.

Viewing into the future, the Group believes, with the continuous investment in the country's railway transportation construction and the network revolution brought by the information industry advancement, the Group will have broader operating prospect, higher market share and brand name impact as Global Link has accumulated nearly 10 years experience in marketing, technology, products and management and has possess of outstanding advantages. The enterprise's benefit as whole will have higher increment 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 fully support.

Ma Yuanguang

Chairman

Hong Kong, 22 June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Global Link is a high-tech enterprise principally engages in research and development of telecommunications software solutions, intelligent view channel security control system, telecommunication value-added system, new technology products including large size call centre as well as providing consolidated solution software. Its major markets were in the PRC and other Asia-Pacific areas. Customers mainly comprise city railway transportation, train manufacturers, integrated railway transportation project companies, telecommunication backbone operators, value-added services providers and government informative management authorities.

MARKET OVERVIEW

Following PRC's continuous economic development, city transportation is the main focus that PRC government dedicated to construct. Well developed and convenient transportation not only became citizen's request, it's also directly related to the city's overall strength and investment environment. The NDRC has already approve 22 core cities to construct underground railway. At present, 22 underground railway were opened in cities including Beijing, Shanghai, Guangzhou, Shenzhen and Nanjing. According to the plan, by 2010, these 22 core cities will each additionally open 1 to several underground lines, where the total additional open lines are 50 with total investment exceeding in RMB500 billion. In the coming years, Olympics Games, World Expo, Asian Games and World University Games will be held in PRC core cities. For the country and cities security, government has invested huge amount to construct security projects. View channel security control system were installed in roads, community, public transportation, long-distance passenger transportation and underground railway. Billion dollars will be invested for underground railway view channel control system projects in the next 3-5 years.

Telecommunications operators, on the basis of having advanced network technology, aim to capture market share through new operation model. Accordingly, new telecommunication software solution still have good market prospect.

BUSINESS REVIEW

During the year, the Group has started integral enterprise operation standing on its products and services concept, "to increase enterprise's competitive advantage through creative products, to satisfy customers' actual demand through professional solution", caught the good opportunity from the country's high investment in railway transportation construction, increased research and development in view channel control system, broadcasting media system, and intelligent view channel security control system, and assigned top marketing staff to develop the market in an active way. As a result, the enterprise has captured new market segment in underground railway construction, train manufacturers and integrated railway transportation project companies.

The Group's turnover for the year was approximately HK\$37,105,000.

The Group deeply realizes that, an enterprise's competitive power is rely on its continuous creative capability. During the year, implementation of the enterprise's operation strategy, market and product development were surrounded with the core theme – "professional" and "creativity". As a result, the enterprise's operation has achieved unprecedented result.

With the contribution from employees, the Group's products, technology and market have the following advantages:-

- 1) advantages in underground railway multi media view control system
 - market leader advantage: the multi media view channel control system were installed and used in operation for both new and old train and the Group's reliable system and good impact were highly appreciated by owners and train manufacturers, and became the actual application standard in the industry.

- product technology advantage: the Group has adopted the most advanced view channel express and IP technology, passed related safety and technology certification, accorded with train's usage standard which became industry' guideline.
- project technology advantage: the Group has experience in project design and construction technology for the specific environment for underground trains and the Group has provided consultancy and training to underground railway owners, train manufacturers and integrated companies.
- localized advantage: the Group holds the core technology and self-developed technology patent, accorded with the country's industry policy - wholly localized and cost advantage with competitive power.

2) advantages in telecommunication value-added services software solutions

- product leader advantage: the Group's various software solutions adopted by backbone operators in the country will be adopted by more provinces and cities.
- self-developed technology advantage: all the Group's software products were self-developed and the Group holds the core technology and sufficient self-determination dissection.

TURNOVER BY REGION

During the year, with Guangzhou Global Link Communications Inc. ("GZGL") as the base, through sales network all over the country, the Group aimed newly developed railway transportation view channel control system, government informative project, and backbone telecommunications operators and value-added services agents as the main target customers. The Group's turnover recognised in the PRC amounted to approximately HK\$34,233,000 representing 92% of the Group's turnover for the year.

For Hong Kong and overseas market, the Group continuously kept its business through providing software solution which fits market changes, trading of certain informative application products as well as providing related technology services. During the year, the Group's turnover recognised in Hong Kong and overseas market was approximately HK\$2,872,000, representing approximately 8% of the Group's turnover for the year.

CUSTOMER ANALYSIS

During the year, the Group's customers are mainly PRC underground railway companies, railway trains manufacturers and installers. The Group also kept its old customers in traditional areas including backbone telecommunication operators and overseas telecommunications operators and value-added services providers.

WIDE-RANGING ALLIANCE

Based on the existing long-term alliance, and with reference to the enterprise's development and the overall future market and product strategy, the Group has established alliance with famous parts and machine manufacturers and companies which hold pioneer software technology, and has effectively reorganised resources advantages from all parties, which better promoted the related creative products.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2007, the Group had a total cash and bank balances, amounted to approximately HK\$6,462,000, which was mainly generated from daily operation.

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

BUSINESS OUTLOOK

With board and foreseeable market in the PRC and the world's railway transportation security and board casting media construction, the Group's management believe, through management insistence, creative products and services, Global Link will have more outstanding competitive advantage in the industry. In the foreseeable future, the Group will launch new products, new systems and new software solutions for the railway transportation and information industry and it will achieve better operating earnings.

The Group believes the application of Radio Frequency Identification (RFID) technology, one of the new technology in the information technology industry, is being applied in a more general way. The Group is actively seeking alliance with telecommunication operators in the research and development for new market and growth opportunity.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Group had net current assets of approximately HK\$8,147,000 (2006: approximately HK\$4,653,000), of which approximately HK\$6,462,000 (2006: approximately HK\$4,193,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

CHARGES ON THE GROUP'S ASSETS

Other than disclosed in note 29 to the financial statements, 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 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

Other than disclosed in note 29 to the financial statements, the Group had no material contingent liabilities as at 31 March 2007 (2006: HK\$1,500,000).

EMPLOYEE AND SALARIES POLICY

As at 31 March 2007, the Group has 52 staff (2006: 63 staff), with 43 and 9 staff employed in the PRC and Hong Kong respectively.

	At 31 March 2007	At 31 March 2006
	Number of staff	Number of staff
Management, finance and administration	17	18
Research and development	12	25
Marketing and sales	23	20
Total	52	63

The total staff costs, including Directors' emoluments, amounted to approximately HK\$4,505,000 (2006: approximately HK\$5,033,000) 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 53, 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-nine 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 43, 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. Chau Siu Piu (巢笑飆), aged 39, 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 43, 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 54. 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 56. 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 52. 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 44, is the financial controller of a listed company on the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He is currently an independent non-executive director of Lee Kee Holdings Limited, a Company Listed on the main board of The Stock Exchange of Hong Kong Limited. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy and obtained a degree in Bachelor of Laws from Tsinghua University. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. 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 51, 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 39, joined Guangzhou Global Link Communications Inc. in July 2000 and is the deputy general manager. Mr. Zhang Wei Jing has over ten years' working experience in the marketing and sales in the telecommunications industry. Mr. Zhang is also a director of Guangzhou Global Link Communications Inc., subsidiaries of the Company.

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 2007.

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 18 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 26.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2007.

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 29 and note 27 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 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 2007, the Company recorded a negative amount for its reserves amounted to approximately HK\$4,483,000 (2006: negative reserves approximately HK\$3,778,000) 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

	2007	2006	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	37,105	25,736	30,107	36,473	33,116
Gross profit	11,867	5,556	6,289	3,832	10,193
Profit/(loss) before tax	3,468	2,138	(8,772)	(23,126)	2,291
Profit/(loss) attributable to equity holders of the Company	2,774	2,140	(8,787)	(23,108)	2,039
Total assets	28,609	12,805	14,812	23,213	45,363
Total liabilities	19,575	6,879	11,108	10,813	(10,245)
Minority interests	–	–	2	29	–
Net assets	9,034	5,926	3,704	12,401	35,118

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		34%
– five largest suppliers combined		62%
Sales		
– the largest customer		53%
– five largest customers combined		77%

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 (resigned on 18 August 2006)
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 of the Company, Mr. Chau Siu Piu, Mr. Wing Kee Eng, Lee and Mr. Lu Ting Jie 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 16 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Chau Siu Piu has entered into a service contract with the Company for a term of two years commencing from 1 November 2006. Mr. Lo Kam Hon, Gary has entered into a service contract with the Company for a term of two years commencing from 23 September 2006. Such service contracts 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 2006 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2006. 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 15 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 9 of this report.

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

As at 31 March 2007, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Ma Yuanguang	Company	Beneficial owner	165,217,600 ordinary shares Long position	24.90%
		Beneficial owner	10,556,000 ordinary shares Long position <i>(Note 1)</i>	1.59%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position <i>(Note 2)</i>	11.96%
		Beneficial owner	8,889,000 ordinary shares Long position <i>(Note 1)</i>	1.34%

REPORT OF THE DIRECTORS

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	8.83%
		Beneficial owner	7,778,000 ordinary shares Long position (Note 1)	1.17%
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	833,000 ordinary shares Long position	0.13%

Note:

- Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 shares, 2,778,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Chau Siu Piu, Wing Kee Eng, Lee and Hu Tiejun respectively pursuant to the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted and approved by the shareholders of the Company on 24 October 2002.

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 31 March 2007, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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 2007, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholdings
Top Legend Investment Limited	Beneficial owner	68,744,800 ordinary shares Long position <i>(Note)</i>	10.36%
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.54%
Tang Yuk Fu	Beneficial owner	49,480,000 ordinary shares Long position	7.46%
Fan Wen Ying	Beneficial owner	33,190,000 ordinary shares Long position	5.00%

Note:

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 2007, 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.

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 2006	Number of share options under the Pre-IPO Share Option Scheme		
				Lapsed during the year under review	Exercised during the year under review	Outstanding as at 31 March 2007
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	–	–	10,556,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	–	–	8,889,000
Chau Siu Piu	24 October 2002	7,778,000	7,778,000	–	–	7,778,000
<i>Non-executive Director</i>						
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	–	–	2,778,000
<i>Independent non-executive Directors</i>						
Hu Tiejun	24 October 2002	833,000	833,000	–	–	833,000
Lu Ting Jie	24 October 2002	833,000	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	7,245,000	1,790,500	111,000	1,679,500	–
Others <i>(Note)</i>	24 October 2002	8,694,000	7,194,000	–	833,000	6,361,000
Total		57,771,000	45,526,000	263,500	3,484,500	41,778,000

Note:

These refer to the former employees of the Group.

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 41,778,000 outstanding share options granted under the Pre-IPO Share Option Scheme representing approximately 6.3% 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			Outstanding as at 31 March 2007	Exercise price
			Outstanding as at 1 April 2006	Lapsed during the year under review	Exercised during the year under review		
<i>Executive Directors</i>							
Lo Kam Hon, Gary	10 December 2003	350,000	350,000	-	-	350,000	HK\$0.132
Employees	10 December 2003	3,460,000	1,680,000	550,000	-	1,130,000	HK\$0.132
Advisers/consultants	10 December 2003	2,700,000	2,700,000	-	-	2,700,000	HK\$0.132
Total		6,510,000	4,730,000	550,000	-	4,180,000	

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

REPORT OF THE DIRECTORS

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, 4,180,000 shares of the Company are available for issue under the Share Option Scheme, representing 0.63% of the issued share capital of the Company if the said share options are exercised in full.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus and note 26 to the financial statements.

SUBSEQUENT EVENTS

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

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 2007.

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

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.

AUDITORS

GC Alliance Limited were appointed as auditors of the Company with effect from 23 March 2007 to fill the vacancy upon the resignation of RSM Nelson Wheeler. RSM Nelson Wheeler were the auditors of the Company for the years ended 31 March 2005 and 2006. Apart from the aforementioned, there have been no other changes of the Company's auditors in the past three years.

GC Alliance Limited retires at the forthcoming annual general meeting of the Company and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

Ma Yuanguang

Chairman

Hong Kong, 22 June 2007

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.

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 2007.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors, which currently comprises eight 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.

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. 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 2006 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2006. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

CORPORATE GOVERNANCE REPORT

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. 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 2007. 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.

The board of Directors held a meeting for nomination of Directors on 22 June 2007. 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. 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. Chau Siu Piu, Mr. Wing Lee Eng, Lee and Mr. Lu Ting Jie will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

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\$200,000 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 annual audited results during the year ended 31 March 2007 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.



GC Alliance Limited
Certified Public Accountants
正立會計師事務所有限公司

**TO THE SHAREHOLDERS OF
GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Global Link Communications Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 26 to 55, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the states of affairs of the Group and the Company at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

GC ALLIANCE LIMITED

Certified Public Accountants

Suites 2406-7, 24th Floor, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

22 June 2007

Pang Fung Ming
Practising Certificate Number P03124

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	7(a)	37,105	25,736
Cost of sales		(25,238)	(20,180)
Gross profit		11,867	5,556
Other income	7(b)	2,495	5,760
Selling expenses		(3,375)	(3,590)
Administrative expenses		(4,513)	(5,566)
Research and development expenses		(2,900)	–
Finance costs	9	(106)	(22)
Profit before tax	10	3,468	2,138
Income tax	11	(694)	–
Profit for the year		2,774	2,138
Attributable to:			
Equity holders of the Company		2,774	2,140
Minority interests		–	(2)
		2,774	2,138
Earnings per share (in HK cents)	14		
– Basic		0.42 cent	0.32 cent
– Diluted		0.41 cent	0.32 cent

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment	17	887	1,273
Current assets			
Trade and other receivables	20	14,043	5,912
Prepayments and deposits		2,817	578
Tax refundable		–	80
Pledged bank deposit and balance	21	4,400	769
Cash and bank balances	22	6,462	4,193
		27,722	11,532
Current liabilities			
Trade and other payables	23	18,882	6,636
Provision for taxation		693	243
		19,575	6,879
Net current assets		8,147	4,653
Total assets less current liabilities		9,034	5,926
Net assets		9,034	5,926
Capital and reserves			
Share capital	25	6,635	6,600
Reserves		2,399	(674)
Total equity attributable to equity holders of the Company		9,034	5,926
Minority interests		–	–
Total equity		9,034	5,926

Approved and authorised for issue by the Board of Directors on 22 June 2007.

Ma Yuanguang
 Director

Chau Siu Piu
 Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

AT 31 MARCH 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investments in subsidiaries	18	21	21
Current assets			
Prepayments and deposits		188	188
Due from a subsidiary	19	10,194	10,193
		10,382	10,381
Current liabilities			
Other payables	23	160	265
Due to a subsidiary	19	8,091	7,315
		8,251	7,580
Net current assets		2,131	2,801
Net assets		2,152	2,822
Capital and reserves			
Share capital	25	6,635	6,600
Reserves	27	(4,483)	(3,778)
Total equity		2,152	2,822

Approved and authorised for issue by the Board of Directors on 22 June 2007.

Ma Yuanguang
Director

Chau Siu Piu
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Statutory reserves	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000
At 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	-	-	-	-	59	-	-	59	-	59
Transfer to statutory reserves	-	-	-	-	-	(74)	74	-	-	-
At 31 March 2006 and 1 April 2006	6,600	15,120	2,135	37	177	(20,290)	2,147	5,926	-	5,926
Exchange differences on translating foreign operations	-	-	-	208	-	-	-	208	-	208
Net income recognised directly in equity	-	-	-	208	-	-	-	208	-	208
Profit for the year	-	-	-	-	-	2,774	-	2,774	-	2,774
Total recognised income and expense for the year	-	-	-	208	-	2,774	-	2,982	-	2,982
Issue of shares upon exercise of share option	35	91	-	-	-	-	-	126	-	126
Transfer to statutory reserves	-	-	-	-	-	(205)	205	-	-	-
At 31 March 2007	6,635	15,211	2,135	245	177	(17,721)	2,352	9,034	-	9,034

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").

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

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	2007 HK\$'000	2006 HK\$'000
Operating activities		
Profit before taxation	3,468	2,138
Adjustments for:		
Depreciation	520	536
Impairment loss on trade receivable	375	1,184
Bad debts recovery	(2,151)	(4,592)
Bank interest income	(50)	(45)
Equity-settled share-based payments	–	59
Operating profit/(loss) before changes in working capital	2,162	(720)
(Increase)/decrease in trade and other receivables	(6,382)	5,531
Increase in prepayments and deposits	(2,239)	(257)
Increase/(decrease) in trade and other payables	12,306	(4,229)
Cash generated from operations	5,847	325
Withholding tax refunded/(paid)	20	(57)
Income tax paid	(232)	–
Net cash generated from operating activities	5,635	268
Investing activities		
Purchase of property, plant and equipment	(50)	(47)
Bank interest received	50	45
Increase in pledged bank deposit and balance	(3,631)	(467)
Net cash used in investing activities	(3,631)	(469)
Financing activities		
Proceeds from share option exercised	126	–
Net cash generated from financing activities	126	–
Net increase/(decrease) in cash and cash equivalents	2,130	(201)
Cash and cash equivalents at beginning of year	4,193	4,369
Effect of foreign currency translation	139	25
Cash and cash equivalents at end of year	6,462	4,193
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,462	4,193

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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 Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 6/F., Kexun Building, No. 60 Jian Zhong Road, High-Tech Industrial Park, Zhongshan Avenue, 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 18 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.

3. ADOPTION OF NEW AND REVISED HKFRSS

In the current year, the Group has adopted a number of new HKFRSs, amendments to Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs did not result in substantial impact on the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

The directors of the Company anticipate that the application of the above new HKFRSs will have no material impact on the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(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 balance sheet date;
- income and expenses for each income statement are translated at average exchange rates for the year (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 foreign currency translation reserve in equity.

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) Property, plant and equipment

All property, plant and equipment 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment 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 items of property, plant and equipment 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.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 and passenger information management 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.

(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) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) 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.

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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Segment reporting *(Continued)*

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments 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 property, plant and equipment 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.

(o) 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.

(p) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Impairment of assets *(Continued)*

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 (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 (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 (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.

(q) 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.

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.

Impairment of trade and other receivables

The impairment 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. Outstanding account balances are reviewed individually for collectability. 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 impairment may be required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

7. REVENUE AND OTHER INCOME

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

	2007 HK\$'000	2006 HK\$'000
(a) Revenue		
Revenue from the supply, development and integration of message communication systems and passenger information management systems	37,105	25,736
(b) Other income		
Bad debts recovery	2,151	4,592
Bank interest income	50	45
Refund on value-added tax	87	600
	2,288	5,237
Sundry income	207	523
Total other income	2,495	5,760

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 information is reported based on the geographical location of customers.

Secondary reporting format – business segments

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

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

There are no sales between the business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
REVENUE								
External sales	34,233	10,942	2,872	14,794	-	-	37,105	25,736
Inter-segment sales*	376	2,498	964	283	(1,340)	(2,781)	-	-
	34,609	13,440	3,836	15,077	(1,340)	(2,781)	37,105	25,736
RESULT								
Segment result	9,654	2,648	1,008	1,535			10,662	4,183
Unallocated corporate expenses							(9,689)	(7,805)
Interest income							50	45
Other unallocated income							2,445	5,715
Profit before tax							3,468	2,138
Income tax							(694)	-
Profit for the year							2,774	2,138
ASSETS								
Segment assets	26,436	8,525	2,173	4,200			28,609	12,725
Unallocated assets							-	80
Total assets							28,609	12,805
LIABILITIES								
Segment liabilities	14,037	4,059	4,845	2,577			18,882	6,636
Unallocated liabilities							693	243
Total liabilities							19,575	6,879
OTHER INFORMATION								
Capital expenditure	40	47	10	-			50	47
Depreciation	516	533	4	3			520	536
Impairment on trade receivable	375	1,087	-	97			375	1,184

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

8. SEGMENTAL INFORMATION *(Continued)*

(b) Secondary reporting format – business segments

	Message communication systems		Passenger information management systems		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	15,594	25,736	21,511	–	–	–	37,105	25,736
Segment assets	3,513	5,477	9,418	–	15,678	7,328	28,609	12,805
Capital expenditure	–	–	–	–	50	47	50	47

9. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Bank charges	106	22

10. PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

	2007 HK\$'000	2006 HK\$'000
Auditors' remuneration	200	280
Impairment loss on trade receivable	375	1,184
Cost of inventories sold*	25,238	20,180
Depreciation	520	536
Minimum lease payments under operating lease – land and buildings	606	607
Net exchange loss	80	71
Staff costs, including directors' emoluments <i>(note 15)</i> :		
Salaries and wages	4,270	4,716
Contribution to retirement benefit schemes	144	163
Equity-settled share-based payments	–	59
Provision for staff welfare benefits	91	95
	4,505	5,033

* Cost of inventories sold includes HK\$1,453,000 (2006: HK\$1,850,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

11. INCOME TAX

Income tax in the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Current year provision:		
PRC enterprise income tax	667	–
Hong Kong profits tax	27	–
	694	–

During the year, Global Link Communications (HK) Limited paid license fees to Hilltop Holdings Group Limited for the use of a software trademark and design. According to the applicable Hong Kong tax regulation, the payments are deemed as royalties sourced from Hong Kong and subject to withholding tax at the Hong Kong profits tax rate of 17.5% on 30% of the payments.

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. ("Guangzhou GL"), has been approved as a high and new technology enterprise and entitled to a favorable national tax rate of 15%. In addition, being a wholly foreign-owned enterprise, Guangzhou GL was entitled to preferential tax treatments including full exemption from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three consecutive years. The statutory financial year ended 31 December 2006 was the final year for Guangzhou GL to be entitled to 50% tax reduction treatment. The tax rates applicable to Guangzhou GL were 10.5% for the year ended 31 December 2006 and 18% thereafter.

Income tax expense on the Group's profit before taxation differs from the theoretical amount that would arise using the PRC statutory Enterprise Income Tax ("EIT") rate in the PRC as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before tax	3,468	2,138
Calculated at the PRC EIT rate of 33% (2006: 33%)	1,144	706
Effect of different tax rates in other countries/regions	518	–
Effect of tax exemptions granted to PRC subsidiaries	(1,630)	145
Effect of income not subject to taxation	(101)	(2,122)
Effect of expenses not deductible for taxation purposes	824	360
Effect of unrecognised temporary differences	(168)	248
Utilisation of tax losses previously not recognised	(62)	–
Effect of tax losses not recognised	169	656
Effect of withholding tax	–	7
Taxation charge for the year	694	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

12. PROFIT FOR THE YEAR

Profit for the year attributable to the equity holders of the Company includes a loss of HK\$796,000 (2006: HK\$939,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No dividend was paid or proposed during 2007, nor has any dividend been proposed since the balance sheet date (2006: Nil).

14. EARNINGS PER SHARE

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

	2007 HK\$'000	2006 HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	2,774	2,140

	Number of shares	
	2007 '000	2006 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	660,206	660,025
Effect of dilutive potential ordinary shares: Share options	16,505	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	676,711	660,025

The computation of diluted earnings per shares does not assume the exercise of certain of the Company's outstanding share options as the exercise price of those share options is higher than the average market price per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments paid or payable to each of the 9 (2006: 9) 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 2007					
<i>Executive directors:</i>					
Mr. Ma Yuanguang	–	384	12	–	396
Mr. Hu Zhi Jian	–	369	5	–	374
Mr. Li Guo Ping (<i>note</i>)	–	–	–	–	–
Mr. Chau Siu Piu	–	240	12	–	252
Mr. Lo Kam Hon, Gary	–	120	6	–	126
	–	1,113	35	–	1,148
<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	1,113	35	–	1,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

15. 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>
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)</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
<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

Note:

Pursuant to the service contract dated 24 October 2004, the total director remuneration payable to Mr. Li Guo Ping, who resigned as a director of the Company on 18 August 2006, should have been approximately HK\$137,000 for the year ended 31 March 2007. However, he agreed irrevocably to waive his entitlements to director emoluments since September 2005. The waiver was approved in the Company's board meeting held on 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 years ended 31 March 2007 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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

The five highest-paid individuals of the Group for the year ended 31 March 2007 included three (2006: three) directors, details of which are disclosed above. Details of the emoluments of the remaining two (2006: two) highest paid individuals for the year ended 31 March 2007 are as follows:

	2007 HK\$'000	2006 HK\$'000
Basic salaries, other allowances and benefits in kind	389	326
Contributions to retirement benefit schemes	9	12
	398	338

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	2007	2006
Nil to HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	–	–
	2	2

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 (2006: Nil).

16. 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\$144,000 (2006: HK\$163,000) represents contributions payable to the MPF Scheme and the retirement benefit plan in the PRC.

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FOR THE YEAR ENDED 31 MARCH 2007

17. PROPERTY, PLANT AND EQUIPMENT

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 2005	69	723	181	1,914	276	3,163
Additions	9	38	–	–	–	47
At 31 March 2006 and 1 April 2006	78	761	181	1,914	276	3,210
Additions	–	37	–	13	–	50
Exchange realignment	5	44	11	115	16	191
At 31 March 2007	83	842	192	2,042	292	3,451
Accumulated depreciation						
At 1 April 2005	41	295	181	745	139	1,401
Charge for the year	8	128	–	350	50	536
At 31 March 2006 and 1 April 2006	49	423	181	1,095	189	1,937
Charge for the year	7	123	–	337	53	520
Exchange realignment	3	23	11	60	10	107
At 31 March 2007	59	569	192	1,492	252	2,564
Carrying amounts						
At 31 March 2007	24	273	–	550	40	887
At 31 March 2006 and 1 April 2006	29	338	–	819	87	1,273

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	21	21

Details of the subsidiaries as at 31 March 2007 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
			Directly	Indirectly	
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 message communication systems and 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

- (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 liabilities and an operating period of 20 years expiring on 12 May 2023.

19. DUE FROM/(TO) A SUBSIDIARY

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

20. TRADE AND OTHER RECEIVABLES

	Group	
	2007 HK\$'000	2006 HK\$'000
Trade receivables	12,931	5,477
Other receivables	891	435
Bills receivables	221	–
	14,043	5,912

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

	2007 HK\$'000	2006 HK\$'000
Between 0 to 90 days	9,671	3,046
Between 91 to 180 days	1,741	900
Between 181 to 365 days	1,377	1,478
Between 1 to 2 years	142	53
	12,931	5,477

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

21. PLEDGED BANK DEPOSIT AND BALANCE

The amount represents bank deposit and balance pledged to banks to secure the general banking facilities granted to a subsidiary of the Company.

22. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group was approximately HK\$5,148,000 (2006: HK\$2,244,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade payables	15,254	4,007	–	–
Other payables	3,549	2,629	160	265
Deposits received from customers	79	–	–	–
	18,882	6,636	160	265

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

	2007 HK\$'000	2006 HK\$'000
Between 0 to 90 days	7,835	138
Between 91 to 180 days	3,310	45
Between 181 to 365 days	759	247
Between 1 to 2 years	1,328	1,853
Over 2 years	2,022	1,724
	15,254	4,007

24. DEFERRED TAXATION

At 31 March 2007, the Group has unused tax losses of HK\$11,620,000 (2006: HK\$11,454,000) 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\$71,000, HK\$325,000, HK\$156,000 and HK\$3,000 (2006: HK\$69,000 and HK\$307,000 and HK\$951,000 in 2008, 2009 and 2010 respectively) that will expire in 2008, 2009, 2010 and 2011 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 2007, the aggregate amount of temporary differences associated with impairment of trade receivables for which deferred tax assets have not been recognised was HK\$16,418,000 (2006: HK\$17,207,000). 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.

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25. SHARE CAPITAL

	2007		2006	
	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	663,509,000	6,635	660,024,500	6,600

On 12 March 2007, 3,484,500 ordinary shares of the Company were issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme at the exercise price of HK\$0.036. Details of the Pre-IPO Share Option Scheme are set out in note 26.

26. 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 the Company's shares on the offer date; or (iii) the average closing price of the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

26. SHARE OPTION SCHEMES (Continued)

Movements in share options are as follows:

	2007		2006	
	Number of share options		Number of share options	
	Pre-IPO Share Option Scheme	Share Option Scheme	Pre-IPO Share Option Scheme	Share Option Scheme
Outstanding at the beginning of year	45,526,000	4,730,000	45,526,000	4,730,000
Granted	–	–	–	–
Exercised	(3,484,500)	–	–	–
Lapsed	(263,500)	(550,000)	–	–
Outstanding at the end of year	41,778,000	4,180,000	45,526,000	4,730,000
Vested at the end of year	41,778,000	4,180,000	45,526,000	4,730,000

Terms of unexpired and unexercised share options at 31 March 2007:

Option scheme	Date of grant	Vesting period	Remaining contractual life at 31 March		Exercise period	Exercise price	2007	2006	
			2007 years	2006 years			No. of share options	No. of share options	
Pre-IPO Share Option Scheme	24 October 2002	24 October 2002 – 12 November 2003	5.6	6.6	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	5.6	6.6	13 November 2004 – 23 October 2012	HK\$0.036	23,305,500	27,053,500	(note (a))
Share Option Scheme	10 December 2003	10 December 2003 – 9 December 2004	6.7	7.7	10 December 2004 – 9 December 2013	HK\$0.132	1,815,000	2,365,000	(note (a))
Share Option Scheme	10 December 2003	10 December 2003 – 9 December 2005	6.7	7.7	10 December 2005 – 9 December 2013	HK\$0.132	2,365,000	2,365,000	(note (b))

Notes:

- (a) The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to these options granted, as these options were granted before 7 November 2002, or vested before 1 April 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

26. SHARE OPTION SCHEMES (Continued)

Notes: (Continued)

- (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\$ Nil (2006: HK\$59,000) related to equity-settled share-based payments transactions during the year.

27. RESERVES

Company

	Share option reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
1 April 2005	118	15,120	(18,136)	(2,898)
Equity-settled share-based payments	59	–	–	59
Loss for the year	–	–	(939)	(939)
At 31 March 2006 and 1 April 2006	177	15,120	(19,075)	(3,778)
Issue of shares upon exercise of share option	–	91	–	91
Loss for the year	–	–	(796)	(796)
At 31 March 2007	177	15,211	(19,871)	(4,483)

Under the Companies Law 2003 (Revised) of the Cayman Islands and the article of association of the Company, 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.

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28. COMMITMENTS

At 31 March 2007, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases payable as follows:

	2007 HK\$'000	2006 <i>HK\$'000</i>
Not later than one year	520	547
In second to fifth years inclusive	–	502
	520	1,049

29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2007 HK\$'000	2006 <i>HK\$'000</i>
Guarantees in respect of performance bonds in favour of contract customers	6,568	769

At 31 March 2007, banking facilities of HK\$12,340,000 (2006: HK\$1,500,000) were granted by a bank to a wholly owned subsidiary of the Company. Those facilities were secured by pledged bank deposit and balance in the aggregate sum of HK\$4,400,000 (2006: HK\$769,000) and a long term standby letter of credit for HK\$2,300,000 (2006: HK\$ Nil) issued by a related company.

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

The Company considers that all members of key management consist of directors of the Company. Details of the remuneration of the directors of the Company are disclosed in note 15 to the financial statements.

31. POST BALANCE SHEET EVENT

On 26 April, 2007, pursuant to a subscription agreement dated 11 April, 2007 between the Company and a number of independent investors (the "Subscribers"), the Company allotted and issued to the Subscribers an aggregate of 100,000,000 new shares at HK\$0.106 per subscription share.

32. COMPARATIVE FIGURES

Certain prior year comparative figures had been reclassified to conform to current year's presentation.