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Global Link

國 聯 通 信 控 股 有 限 公 司

**Global Link Communications Holdings Limited**

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

(Stock Code: 8060)

**Interim Report 2008**

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

## HIGHLIGHTS

Turnover for the six months ended 30 September 2008 was approximately HK\$18,359,000, representing a 6% decrease from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company for the six months ended 30 September 2008 was approximately HK\$758,000, representing a 83% decrease from that of the Last Corresponding Period.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, “Global Link” or the “Group”) for the three months and the six months ended 30 September 2008 together with the unaudited comparative figures for the corresponding period in 2007 (“Last Corresponding Period”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 September		For the six months ended 30 September	
		2008	2007	2008	2007
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2 & 4	7,613	8,644	18,359	19,594
Cost of sales		(4,944)	(4,971)	(12,285)	(12,297)
Gross profit		2,669	3,673	6,074	7,297
Other income		49	1,515	183	2,044
Selling expenses		(1,020)	(821)	(2,207)	(1,687)
Administrative expenses		(1,177)	(1,229)	(2,511)	(2,496)
Finance costs		(1)	(2)	(3)	(16)
Profit before tax	3	520	3,136	1,536	5,142
Income tax	5	(296)	(205)	(778)	(633)
Profit for the period		<u>224</u>	<u>2,931</u>	<u>758</u>	<u>4,509</u>
<b>Attributable to:</b>					
Equity holders of the Company		224	2,931	758	4,509
Minority interests		-	-	-	-
		<u>224</u>	<u>2,931</u>	<u>758</u>	<u>4,509</u>
<b>Earnings per share (in HK cents)</b>	7				
- Basic		0.03	0.38	0.10	0.60
- Diluted		0.03	0.36	0.09	0.57

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30 September 2008</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>970</b>	606
<b>Current assets</b>			
Trade and other receivables	9	<b>27,682</b>	23,528
Prepayments and deposits		<b>769</b>	2,856
Pledged bank deposit and balance		<b>889</b>	842
Cash and bank balances		<b>13,995</b>	12,580
		<b>43,335</b>	39,806
<b>Current liabilities</b>			
Trade and other payables	10	<b>12,283</b>	11,253
Provision for taxation	5	<b>2,212</b>	1,733
		<b>14,495</b>	12,986
<b>Net current assets</b>		<b>28,840</b>	26,820
<b>Total assets less current liabilities</b>		<b>29,810</b>	27,426
<b>Net assets</b>		<b>29,810</b>	27,426
<b>Capital and reserves</b>			
Share capital		<b>7,697</b>	7,697
Reserves		<b>22,113</b>	19,729
<b>Total equity attributable to equity holders of the Company</b>		<b>29,810</b>	27,426
<b>Total equity</b>		<b>29,810</b>	27,426

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	637	(5,782)
Net cash (outflow)/inflow from investing activities	(500)	3,708
Net cash inflow from financing	—	11,147
	<hr/>	<hr/>
Increase in cash and cash equivalents	137	9,073
Cash and cash equivalents at 1 April	12,580	6,462
Effect of foreign currency translation	1,278	—
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<u>13,995</u>	<u>15,535</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Merger reserve (Unaudited) <i>HK\$'000</i>	Foreign exchange translation reserve (Unaudited) <i>HK\$'000</i>	Share option reserve (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Statutory reserve (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
			<i>(note a)</i>				<i>(note b)</i>	
As at 1 April 2007	6,635	15,211	2,135	245	177	(17,721)	2,352	9,034
Profit for the period	-	-	-	-	-	4,509	-	4,509
Placing of new shares	1,000	9,600	-	-	-	-	-	10,600
Exercise of share option	62	485	-	-	-	-	-	547
Transfer to statutory reserves	-	-	-	-	-	(352)	352	-
<b>As at 30 September 2007</b>	<b><u>7,697</u></b>	<b><u>25,296</u></b>	<b><u>2,135</u></b>	<b><u>245</u></b>	<b><u>177</u></b>	<b><u>(13,564)</u></b>	<b><u>2,704</u></b>	<b><u>24,690</u></b>
As at 1 April 2008	7,697	25,296	2,135	861	686	(12,394)	3,145	27,426
Profit for the period	-	-	-	-	-	758	-	758
Recognition of equity-settled share based payments	-	-	-	-	509	-	-	509
Transfer to statutory reserves	-	-	-	-	-	(244)	244	-
Exchange differences on translating foreign operations	-	-	-	1,117	-	-	-	1,117
<b>As at 30 September 2008</b>	<b><u>7,697</u></b>	<b><u>25,296</u></b>	<b><u>2,135</u></b>	<b><u>1,978</u></b>	<b><u>1,195</u></b>	<b><u>(11,880)</u></b>	<b><u>3,389</u></b>	<b><u>29,810</u></b>

*Note:*

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

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

### 2. REVENUE

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

### 3. PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	99	116	256	231
Operating lease rentals	259	147	471	288
Staff costs including directors' emolument	1,763	1,176	3,257	2,274

### 4. SEGMENTAL INFORMATION

#### Primary reporting format – geographical segments

Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group in making operation and financial decision. The Group's business can be subdivided into the PRC and Hong Kong markets.

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

## Secondary reporting format – business segments

In presenting the information on the basis of business segments, management has evaluated and considered that the Group's business segments are structured and managed separately according to the nature of the products they provide. The Group's business segments are as follows:

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

There are no sales between the business segments.

### (a) Primary reporting format – geographical segments

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

	PRC		Hong Kong		Elimination		Total	
	For the six months ended 30 September 2008	For the six months ended 30 September 2007	For the six months ended 30 September 2008	For the six months ended 30 September 2007	For the six months ended 30 September 2008	For the six months ended 30 September 2007	For the six months ended 30 September 2008	For the six months ended 30 September 2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE								
External sales	18,289	17,403	70	2,191	-	-	18,359	19,594
Inter-segment sales*	-	-	-	-	-	-	-	-
	<u>18,289</u>	<u>17,403</u>	<u>70</u>	<u>2,191</u>	<u>-</u>	<u>-</u>	<u>18,359</u>	<u>19,594</u>
RESULT								
Segment result	<u>5,750</u>	<u>5,726</u>	<u>68</u>	<u>1,340</u>	-	-	5,818	7,066
Unallocated corporate expenses							(4,465)	(3,968)
Interest income							134	156
Other unallocated income							<u>49</u>	<u>1,888</u>
Profit before tax							1,536	5,142
Income tax							<u>(778)</u>	<u>(633)</u>
Profit for the period							758	4,509
Minority interests							-	-
Profit attributable to equity holders of the Company							<u>758</u>	<u>4,509</u>

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



(b) Secondary reporting format – business segments

	Message communication systems		Passenger information management systems		Unallocated		Total	
	For the six months ended 30 September 2008		For the six months ended 30 September 2007		For the six months ended 30 September 2008		For the six months ended 30 September 2007	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Sales to external customers	9,061	10,911	9,298	8,683	-	-	18,359	19,594
Segment assets	8,722	7,499	16,586	14,988	18,997	20,648	44,305	43,135
Capital expenditure	-	-	-	-	256	48	256	48

**5. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the six months ended 30 September 2008 of the individual companies within the Group arising in Hong Kong. No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit for the six months ended 30 September 2008 (2007: Nil).

The Group's PRC subsidiaries were subject to PRC Enterprise Income Tax ("EIT"), which was generally imposed at a statutory EIT rate of 33% for periods before 1 January 2008. However, one of the Group's PRC subsidiaries, Guangzhou Global Link Communications Inc. ("Guangzhou GL"), was approved as a high and new technology enterprise and entitled to a favorable EIT rate of 15% for the calendar year ended 31 December 2007.

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), which has become effective from 1 January 2008. According to the New Corporate Income Tax Law, Guangzhou GL has been subject to the unified Corporate Income Tax ("CIT") rate of 25%, EIT tax charge for the six months ended 30 September 2008 was HK\$778,000 (2007: HK\$633,000).

There was no significant unprovided deferred taxation for the six months ended 30 September 2008.

**6. DIVIDEND**

The Board does not recommend an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## 7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	<u>224</u>	<u>2,931</u>	<u>758</u>	<u>4,509</u>
	<b>Number of shares</b>			
	For the three months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>769,695</u>	<u>769,695</u>	<u>769,695</u>	<u>752,934</u>
Effect of dilutive potential ordinary shares: Shares issued for no consideration assuming exercise of share options	<u>28,138</u>	<u>35,091</u>	<u>29,649</u>	<u>34,493</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>797,833</u></u>	<u><u>804,786</u></u>	<u><u>799,344</u></u>	<u><u>787,427</u></u>

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2008 (Unaudited) <i>HK\$'000</i>
Opening balance	606
Additions	587
Depreciation	(256)
Exchange realignment	33
	<hr/>
Closing balance	<b>970</b>
	<hr/> <hr/>

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2008 (Unaudited) <i>HK\$'000</i>	As at 31 March 2008 (Audited) <i>HK\$'000</i>
Trade receivables	25,309	22,292
Other receivables	1,373	1,236
Bills receivables	1,000	–
	<hr/>	<hr/>
	<b>27,682</b>	<b>23,528</b>
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Details of the aging analysis of trade receivables are as follows:

	As at 30 September 2008 (Unaudited) <i>HK\$'000</i>	As at 31 March 2008 (Audited) <i>HK\$'000</i>
Not yet due	4,276	3,868
Between 0 to 90 days	6,777	8,914
Between 91 to 180 days	6,938	5,883
Between 181 to 365 days	6,154	3,418
Between 1 to 2 years	1,028	209
Over 2 years	136	–
	<hr/>	<hr/>
	<b>25,309</b>	<b>22,292</b>
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Customers are generally granted with credit terms of 30 days to 90 days.

## 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	As at 31 March 2008 (Audited) HK\$'000
Trade payables	8,322	7,311
Other payables	3,739	3,731
Deposits received from customers	222	211
	<u>12,283</u>	<u>11,253</u>

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

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	As at 31 March 2008 (Audited) HK\$'000
Between 0 to 90 days	1,712	2,780
Between 91 to 180 days	1,420	152
Between 181 to 365 days	608	1,438
Between 1 to 2 years	1,523	800
Over 2 years	3,059	2,141
	<u>8,322</u>	<u>7,311</u>

## 11. COMMITMENTS

At 30 September 2008, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	As at 31 March 2008 (Audited) HK\$'000
Not later than one year	725	705
In second to fifth years inclusive	1,000	1,301
	<u>1,725</u>	<u>2,006</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review and outlook**

During the period under review, the Olympic Games was held in Beijing, the PRC and the railway transportation in Beijing is an important system to safeguard passenger transportation and to ensure the games were smoothly carried out. The Group has already provided view channel control system for 5 lines in Beijing's underground railway. To ensure the stable operation of these view channel control system was the Group's top task for the period. Under the unified arrangement from the Beijing Municipal Committee of Communications and the underground railway operation company, the Group has sent a professional project team to join the operation security team on a 24-hour basis. Although the numbers of the trains' operating hour and passenger travel were much higher than usual, the safety of operation was maintained as expected and the Group has done its job and contributed to the smooth running of the games. Through practice, the Group's product passed the test, project team get trained and technology get enhanced. The Group has obtained valuable practical experience for the coming international grand-scale event including Shanghai Expo, Guangzhou Asian Games and Universiade Shenzhen. And the Group's brand name has been enhanced in the industry of view channel control system for railway transportation.

The Group has cooperated with enterprises including Changchun Railway Vehicles Co., Ltd., CSR Sifang Locomotive and Rolling Stock Co., Ltd. and Beijing Mass Transit Railway Operation Corp. Ltd., to provide view channel control system product for Beijing Sightseeing Line, Batong Line, Line 4 and Line 13 as well as Line 4 and 5 in Guangzhou. The timing, quantity and quality of installation of product were implemented as expected.

Following the start-up of railway transportation project in the "Eleventh Five Year Plan", opening of underground railway and project bidding in core cities have reached another peak season. With years marketing experience and good operating results of the product, the Group's marketing activities were fully engaged. Business with 6 major train manufactures and investors in underground railway in core cities were in stages of product technology discussion, product design for new underground railway lines and contract negotiation.

During the implementation of operation strategy formulated at the beginning of the year, the Group paid attention to the global financial crisis resulted from the subprime mortgage in the USA. Taking into account the market segment and its strength the Group has formulated the following policies: (1) adequate invest in market and product in accordance with its resources; (2) capture market opportunity through alliance with enterprises and enhance efficiency by making full use of its advantages; and (3) control cash usage and enhance credit control to ensure net cash inflow. The Group has achieved good operating results after implementing these policies for months.

The Group's electricity protection products have new development in the areas of technology and market exploration. The Group has started product presentation, demonstrative application and project installation in relevant cities. The Group believes that after the snowstorm disaster in the Southern PRC early this year, the electricity protection products will have a better prospect according to relevant national policy.

With its operating situation, the Group will capture more contracts in the coming months as compared with the Last Corresponding Period. As each railway transportation projects will be implemented for a 2-3 years period, the Group's operating task was partially fulfilled and the related benefit was secured.

### **Financial review**

For the six months ended 30 September 2008, the Group recorded a turnover of approximately HK\$18,359,000, representing a decrease by approximately 6% comparing with that of the Last Corresponding Period. Gross profit of approximately HK\$6,074,000 was recorded, which represents a decrease in gross profit margin from approximately 37% to approximately 33%. Net profit attributable to equity shareholders of the Company of approximately HK\$758,000 was recorded in the period.

During the period, aiming to capture more contracts in the future, business activities with underground railway companies and train manufacturers for technology and marketing increased significantly as more than 20 core cities have started underground railway construction as well as railway between cities. This led to increase in selling expenses representing approximately 30% increase from that of the Last Corresponding Period. Decrease in other income is mainly due to the VAT refund yet to be received from relevant tax bureau and yet to be accounted for in the period.

The main reasons for the decrease in net profit during the period under review are that the increase in selling expense and decrease in other income as well as the change of income tax rate.

### **Capital structure**

The Group carried out prudent financial policy, surplus cash is deposited in bank to finance operation and investments. Management will review the financial forecast on a regular basis to ensure the use of proceeds strictly follows those stated in the prospectus of the Company dated 31 October 2002 (the “Prospectus”) or identified by the Directors during the normal course of business. As at 30 September 2008, the Group had a total cash and bank balances, amounted to approximately HK\$13,995,000.

### **Employee information**

As at 30 September 2008, the Group had 81 employees (2007: 58 employees), 73 and 8 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2008, staff costs including Directors’ remuneration was approximately HK\$3,257,000 (2007: approximately HK\$2,274,000).

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

As at 30 September 2008, the Group had net current assets of approximately HK\$28,840,000, of which approximately HK\$13,995,000 were cash and bank balances. The Directors are confident that the Group’s existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

### **Contingent liabilities**

As at 30 September 2008, the Group did not have any material contingent liabilities.

Save as disclosed herewith, no information in relation to the Group’s performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2008.

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

As at 30 September 2008, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Ma Yuanguang	Company	Beneficial owner	165,217,600 ordinary shares Long position	21.47%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	1.37%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	10.31%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.15%



<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.02%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note 1)	0.36%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (Note 1)	0.11%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.11%

*Note:*

- Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 2,778,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Wing Kee Eng, Lee and Hu Tiejun respectively pursuant to the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted and approved by the shareholders of the Company on 24 October 2002.
- Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2008, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2008, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholding</b>
Chau Siu Piu	Beneficial owner	58,560,400 ordinary shares Long position	7.61%
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	6.50%
Tang Yuk Fu	Beneficial owner	49,480,000 ordinary shares Long position	6.43%

Save as disclosed above, as at 30 September 2008, so far is known to the Directors, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

## SHARE OPTION SCHEMES

The Group currently operates two share option schemes, namely the Pre-IPO Share Option Scheme and Share Option Scheme (as defined below).

Pursuant to the Pre-IPO Share Option Scheme, the Directors and certain participants have been granted options to subscribe for shares of the Company at a subscription price of HK\$0.036 per share, representing 10% of the placing price of the shares of the Company as at 13 November 2002, details of which are set out as follows:

Name of grantee	Date of grant	Number of share options under the Pre-IPO Share Option Scheme				Outstanding as at 30 September 2008
		Number of share options granted	Outstanding as at 1 April 2008	Lapsed during the period under review	Exercised during the period under review	
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	-	-	10,556,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	-	-	8,889,000
<i>Non-executive Director</i>						
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	-	-	2,778,000
<i>Independent non-executive Directors</i>						
Hu Tiejun	24 October 2002	833,000	833,000	-	-	833,000
Lu Ting Jie	24 October 2002	833,000	-	-	-	-
<i>Senior Management</i>						
Li Guo Hui	24 October 2002	611,000	-	-	-	-
Zhang Wei Jing	24 October 2002	500,000	-	-	-	-
Advisers/consultants	24 October 2002	9,054,000	2,887,500	-	-	2,887,500
Other employees of the Group	24 October 2002	3,054,000	-	-	-	-
Others (Note)	24 October 2002	20,663,000	13,028,000	-	-	13,028,000
Total		<u>57,771,000</u>	<u>38,971,500</u>	<u>-</u>	<u>-</u>	<u>38,971,500</u>

*Note:*

These refer to the former employees of the Group.

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

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

Capacity	Date of grant	Number of share options under Share Option Scheme					Exercise price
		Number of share options granted	Outstanding as at 1 April 2008	Lapsed during the period under review	Exercised during the period under review	Outstanding as at 30 September 2008	
Executive Directors							
Lo Kam Hon, Gary	10 December 2003	350,000 (Note 2)	-	-	-	-	HK\$0.132
Employees	10 December 2003	880,000 (Note 2)	-	-	-	-	HK\$0.132
Advisers/consultants	10 December 2003	2,700,000 (Note 2)	800,000	-	-	800,000	HK\$0.132
Other (Note 1)	10 December 2003	2,580,000 (Note 2)	-	-	-	-	HK\$0.132
Employees	5 October 2007	16,400,000 (Note 3)	16,400,000	-	-	16,400,000	HK\$0.242
Total		<u>22,910,000</u>	<u>17,200,000</u>	<u>-</u>	<u>-</u>	<u>17,200,000</u>	

*Note:*

- (1) These refer to the former employees of the Group.
- (2) The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.120.

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

- (3) The closing price of the shares of Company immediately before the date on which the options were granted was HK\$0.220.

Each of the grantees to whom options have been conditionally granted under the Share Option Scheme will be entitled to exercise the options only after 4 October 2008, and in any event, not later than 2 years from the date of grant of the options.

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

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

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all 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 six months ended 30 September 2008.

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

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

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

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

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 3 members, namely Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited interim results for the six months ended 30 September 2008 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 12 November 2008

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