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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 2013

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET
("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE "STOCK EXCHANGE")**

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HIGHLIGHTS

Turnover for the six months ended 30 September 2013 was approximately HK\$28,088,000, representing a 57% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company for the six months ended 30 September 2013 was approximately HK\$12,190,000 and net profit of HK\$10,390,000 was recorded in the Last Corresponding Period.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (“**Global Link**” or the “**Group**”) for the three months and the six months ended 30 September 2013 together with the unaudited comparative figures for the corresponding period in 2012 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the three months ended 30 September | | For the six months ended 30 September | |
|---|-------|--|---------------------------------|--|---------------------------------|
| | | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Revenue | 2 & 4 | 4,559 | 37,714 | 28,088 | 65,623 |
| Cost of sales | | <u>(6,563)</u> | <u>(25,674)</u> | <u>(30,013)</u> | <u>(44,413)</u> |
| Gross profit | | (2,004) | 12,040 | (1,925) | 21,210 |
| Other income | | 1,135 | 173 | 1,520 | 402 |
| Selling expenses | | (2,747) | (2,111) | (5,955) | (4,017) |
| Administrative expenses | | (1,926) | (2,632) | (3,971) | (5,015) |
| Finance costs | | - | - | - | - |
| (Loss)/profit before taxation | 3 | <u>(5,542)</u> | 7,470 | <u>(10,331)</u> | 12,580 |
| Income tax | 5 | <u>(384)</u> | <u>(1,345)</u> | <u>(1,871)</u> | <u>(2,416)</u> |
| (Loss)/profit for the period | | <u><u>(5,926)</u></u> | <u><u>6,125</u></u> | <u><u>(12,202)</u></u> | <u><u>10,164</u></u> |
| Other comprehensive (loss)/income: | | | | | |
| Exchange differences on translating foreign operations | | <u>646</u> | <u>(700)</u> | <u>2,462</u> | <u>(851)</u> |
| Total comprehensive (loss)/income for the period | | <u><u>(5,280)</u></u> | <u><u>5,425</u></u> | <u><u>(9,740)</u></u> | <u><u>9,313</u></u> |
| (Loss)/profit attributable to: | | | | | |
| Equity shareholders of the Company | | <u>(5,926)</u> | 6,209 | <u>(12,190)</u> | 10,390 |
| Non-controlling interests | | <u>-</u> | <u>(84)</u> | <u>(12)</u> | <u>(226)</u> |
| | | <u><u>(5,926)</u></u> | <u><u>6,125</u></u> | <u><u>(12,202)</u></u> | <u><u>10,164</u></u> |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Equity shareholders of the Company | | <u>(5,280)</u> | 5,509 | <u>(9,752)</u> | 9,539 |
| Non-controlling interests | | <u>-</u> | <u>(84)</u> | <u>12</u> | <u>(226)</u> |
| | | <u><u>(5,280)</u></u> | <u><u>5,425</u></u> | <u><u>(9,740)</u></u> | <u><u>9,313</u></u> |
| (Loss)/earnings per share (in HK cents): | | | | | |
| - Basic | 7 | <u><u>(0.62)</u></u> | <u><u>0.65</u></u> | <u><u>(1.27)</u></u> | <u><u>1.08</u></u> |
| - Diluted | | <u><u>N/A</u></u> | <u><u>0.64</u></u> | <u><u>N/A</u></u> | <u><u>1.08</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 September 2013 (Unaudited) <i>Notes</i> <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|--|----|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 1,769 | 1,941 |
| Intangible asset | | 2,808 | 3,061 |
| Pledged bank deposit | | 820 | 808 |
| Deferred tax assets | | 2,202 | 3,516 |
| Current assets | | | |
| Inventories | | 37,002 | 24,269 |
| Trade and other receivables | 9 | 81,663 | 95,503 |
| Deposits and prepayments | | 11,681 | 17,897 |
| Cash and bank balances | | 27,326 | 31,674 |
| | | 157,672 | 169,343 |
| Current liabilities | | | |
| Trade and other payables | 10 | 15,513 | 18,714 |
| Provision for taxation | | 8,136 | 8,593 |
| | | 23,649 | 27,307 |
| Net current assets | | 134,023 | 142,036 |
| Net assets | | 141,622 | 151,362 |
| Capital and reserves | | | |
| Equity attributable to equity shareholders of the Company | | | |
| Share capital | | 9,608 | 9,608 |
| Reserves | | 133,355 | 143,083 |
| | | 142,963 | 152,691 |
| Non-controlling interests | | (1,341) | (1,329) |
| Total equity | | 141,622 | 151,362 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended | |
|--|--------------------------|-----------------|
| | 30 September | |
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash (used in) from operating activities | (6,208) | (9,845) |
| Net cash generated from investing activities | <u>179</u> | <u>325</u> |
| Net (decrease) in cash and cash equivalents | (6,029) | (9,520) |
| Cash and cash equivalents at 1 April | 31,674 | 42,007 |
| Effect of foreign exchange rate changes | <u>1,681</u> | <u>(851)</u> |
| Cash and cash equivalents at 30 September | <u>27,326</u> | <u>31,636</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|--|--|------------------|-----------------------------------|---------------------|----------------------------|---------------------|-----------------------------------|----------------|----------------------------------|-----------------|
| | Share capital | Share premium | Merger reserve | Exchange reserve | Share option reserve | Retained profits | Statutory reserves | Total | Non- controlling interests | Total equity |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> <i>(note a)</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> <i>(note b)</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> |
| As at 1 April 2012 | 9,608 | 58,725 | 2,135 | 9,281 | 1,195 | 42,284 | 8,559 | 131,787 | (2,467) | 129,320 |
| Total comprehensive income for the period | - | - | - | - | - | 10,390 | - | 10,390 | (226) | 10,164 |
| Other comprehensive income Exchange differences on translating foreign operations | - | - | - | (851) | - | - | - | (851) | - | (851) |
| As at 30 September 2012 | <u>9,608</u> | <u>58,725</u> | <u>2,135</u> | <u>8,430</u> | <u>1,195</u> | <u>52,674</u> | <u>8,559</u> | <u>141,326</u> | <u>(2,693)</u> | <u>138,633</u> |
| As at 1 April 2013 | 9,608 | 58,725 | 2,135 | 10,918 | 1,195 | 59,303 | 10,807 | 152,691 | (1,329) | 151,362 |
| Total comprehensive loss for the period | - | - | - | - | - | (12,190) | - | (12,190) | (12) | (12,202) |
| Other comprehensive loss Exchange differences on translating foreign operations | - | - | - | 2,462 | - | - | - | 2,462 | - | 2,462 |
| As at 30 September 2013 | <u>9,608</u> | <u>58,725</u> | <u>2,135</u> | <u>13,380</u> | <u>1,195</u> | <u>47,113</u> | <u>10,807</u> | <u>142,963</u> | <u>(1,341)</u> | <u>141,622</u> |

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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 Hong Kong Companies Ordinance.

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. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before tax is stated after charging the following:

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|--|---------------------------------|--|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Depreciation | 150 | 228 | 352 | 500 |
| Minimum lease payments under operating lease – land and buildings | 370 | 364 | 798 | 787 |
| Staff costs including directors' emolument | 4,751 | 4,203 | 8,494 | 8,438 |
| | <u>4,751</u> | <u>4,203</u> | <u>8,494</u> | <u>8,438</u> |

4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group's customers are located. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of PRC comprises the revenue from supply, development and integration of passenger information management system and electricity monitoring system while the segment revenue of Hong Kong comprises the revenue from supply, development and integration of message communication systems.

No reportable operating segment has been aggregated.

(a) **Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2013 and 2012 is set out below.

| | PRC | | Hong Kong | | Total | |
|---|---------------------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|-----------------|
| | For the six months ended 30 September | | For the six months ended 30 September | | For the six months ended 30 September | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Reportable segment revenue | | | | | | |
| Inter-segment revenue | - | 27 | - | 318 | - | 345 |
| Revenue from external customers | 28,088 | 65,368 | - | 255 | 28,088 | 65,623 |
| | 28,088 | 65,395 | - | 573 | 28,088 | 65,968 |
| | 28,088 | 65,395 | - | 573 | 28,088 | 65,968 |
| Reportable segment (loss)/profit | (979) | 20,431 | 163 | 98 | (816) | 20,529 |
| | (979) | 20,431 | 163 | 98 | (816) | 20,529 |
| Interest revenue | 144 | 124 | 203 | 195 | 347 | 319 |
| Depreciation | 297 | 446 | 55 | 54 | 352 | 500 |
| Allowance for doubtful debts | - | 853 | - | - | - | 853 |
| | 441 | 1,423 | 258 | 249 | 500 | 1,672 |
| | 441 | 1,423 | 258 | 249 | 500 | 1,672 |

(b) **Reconciliation of reportable segment revenues and profit or loss**

| | For the six months ended 30 September | |
|--|--|----------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Total reportable segments' revenue | 28,088 | 65,968 |
| Elimination of inter-segment revenue | <u>—</u> | <u>(345)</u> |
| Consolidated turnover | <u>28,088</u> | <u>65,623</u> |
| (Loss)/Profit | | |
| Total reportable segments' profit | (816) | 20,529 |
| Elimination of inter-segment (loss)/profits | <u>—</u> | <u>—</u> |
| Reportable segment profit derived from Group's external customer | (816) | 20,529 |
| Bank interest income | 347 | 319 |
| Unallocated head office and corporate expenses | <u>(9,862)</u> | <u>(8,268)</u> |
| Consolidated (loss)/profit before tax expenses | <u>(10,331)</u> | <u>12,580</u> |

(c) **Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

| | For the six months ended 30 September | |
|--|--|----------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Supply, development and integration of passenger information management system | 28,088 | 64,102 |
| Electricity monitoring system | <u>—</u> | <u>1,521</u> |
| | <u>28,088</u> | <u>65,623</u> |

5. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
|---|--|---------------------------------|
| Current year provision: | | |
| PRC enterprise income tax | 544 | 2,416 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | <u>1,327</u> | <u>-</u> |
| | <u>1,871</u> | <u>2,416</u> |

No Hong Kong profits tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the period. (2012: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. (“Guangzhou GL”) has been approved as a high and new technology enterprise and is entitled to a concessionary rate of Enterprise Income Tax (“EIT”) at 15% until 22 August 2014.

Pursuant to the relevant laws and regulations applicable to newly established software production enterprises in the PRC, another PRC subsidiary, 廣州勝億交通信息軟件有限公司 (“勝億”) was exempted from EIT for the year ended 31 December 2011, followed by a 50% reduction in the applicable tax rate of 25% for a period of 3 years from 1 January 2012. These tax concessions will expire after 31 December 2014.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

There was no significant unprovided deferred taxation for the six months ended 30 September 2013.

6. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2013 (2012: Nil).

7. **(LOSS)/EARNINGS PER SHARE**

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the six months ended 30 September 2013 of approximately HK\$12,190,000 (2012: consolidated profit attributable to equity shareholders of the Company of approximately HK\$10,390,000) and the weighted average number of approximately 960,808,000 ordinary shares (2012: 960,808,000 ordinary shares) in issue during the period calculated.

(b) **Diluted (loss)/earnings per share**

No diluted loss per share has been presented for the six months ended 30 September 2013 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the six months ended 30 September 2012 of approximately HK\$10,390,000 and the weighted average number of approximately 962,706,000 ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

| | 2013 (Unaudited) '000 | 2012 (Unaudited) '000 |
|--|--|-----------------------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | N/A | 960,808 |
| Effect of deemed issue of shares under the Company's share option schemes for nil consideration | N/A | 1,898 |
| Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share | <u>N/A</u> | <u>962,706</u> |

8. PROPERTY, PLANT AND EQUIPMENT

| | Six months ended 30 September 2013 (Unaudited) <i>HK\$'000</i> |
|------------------------|---|
| Opening balance | 1,941 |
| Additions | 108 |
| Depreciation | (352) |
| Exchange realignment | 72 |
| | <hr/> |
| Closing balance | 1,769 |
| | <hr/> <hr/> |

9. TRADE AND OTHER RECEIVABLES

| | As at 30 September 2013 (Unaudited) <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|---|---|---|
| Trade receivables and bills receivables | 80,192 | 94,686 |
| Other receivables | 1,471 | 817 |
| | <hr/> | <hr/> |
| | 81,663 | 95,503 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | As at 30 September 2013 (Unaudited) <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|-------------------------|---|---|
| Between 0 to 90 days | 18,085 | 27,080 |
| Between 91 to 180 days | 24,502 | 30,994 |
| Between 181 to 365 days | 24,288 | 23,575 |
| Between 1 to 2 years | 6,011 | 7,331 |
| Over 2 years | 1,958 | – |
| | <hr/> | <hr/> |
| | 74,844 | 88,980 |
| Retention receivables | 5,348 | 5,706 |
| | <hr/> | <hr/> |
| | 80,192 | 94,686 |
| | <hr/> <hr/> | <hr/> <hr/> |

Customers are generally granted with credit terms of 90 days.

10. TRADE AND OTHER PAYABLES

| | As at 30 September 2013 (Unaudited) <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|----------------------------------|---|---|
| Trade payables | 8,401 | 9,390 |
| Other payables | 6,854 | 9,187 |
| Deposits received from customers | 258 | 137 |
| | <u>15,513</u> | <u>18,714</u> |

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

| | As at 30 September 2013 (Unaudited) <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|-------------------------|---|---|
| Between 0 to 90 days | 2,971 | 2,638 |
| Between 91 to 180 days | 223 | 3,582 |
| Between 181 to 365 days | 2,742 | 1,208 |
| Between 1 to 2 years | 478 | 61 |
| Over 2 years | 1,987 | 1,901 |
| | <u>8,401</u> | <u>9,390</u> |

11. COMMITMENTS

As at 30 September 2013, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

| | As at 30 September 2013 (Unaudited) <i>HK\$'000</i> | As at 31 March 2013 (Audited) <i>HK\$'000</i> |
|------------------------------------|---|---|
| Not later than one year | 1,333 | 1,529 |
| In second to fifth years inclusive | 359 | 1,125 |
| | <u>1,692</u> | <u>2,654</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

During the period, the country with the Twelfth Five Year Plan as direction, has put efforts to maintain stable export demand and expand domestic demand which effectively release purchase demand. It then fully elaborate the basic impact of consumption and the key function of investments, which further reflects infrastructure's supporting impact on economic growth. With the increase in investments in infrastructure, the railway transportation construction remains a key construction task for the country.

Following the investments in railway transportation construction from cities government, tenders from core cities have presented an increasing trend. Several cities with the increase in number of subway lines have invited tenders for train purchase orders. The Group has obtained some of the supply contracts.

As train manufacturers have adjusted their plan during the period, high portion of the Group's delivery quantity of supply contracts signed were postponed, and resulted in the decrease in turnover as compared to the Last Corresponding Period and recorded operating loss for the current period.

Management has experienced severe condition in operation and development and competition for train information system in the domestic railway transportation industry. It mainly resulted from system integrated companies entering into the market, and some companies adopted low price strategy so as to obtain contracts and caused the decrease in tender price which has directed impact on gross profit of the Company. With contract price remains unchange, the demand for higher standard in system configuration and services also have negative impact on consolidated operating profit.

To cope with such market situation, management has adjusted its market operation strategy. The Group will utilise its track record in the industry as well as its brand impact advantageous to form a team to develop professional services. The Company will also develop new system and new applications widening product differentiation to prevent coessential competition. The Group will keep on expanding the operation model, including cost control, increase product quality and adopt diversify cooperation model in new markets. The Group believes, through implementing these operation strategies, the enterprise will have strong development potential.

Financial review

For the six months ended 30 September 2013, the Group recorded a turnover of approximately HK\$28,088,000, a 57% decrease comparing with that of the Last Corresponding Period. Gross loss at approximately HK\$1,925,000 was recorded. Net loss attributable to equity shareholders of the Company for the period under review was approximately HK\$12,190,000.

During the period, the Group has delivered train information system to several cities as scheduled in the signed supply contracts. However, the delivery plan of several contracts have been rescheduled. The delivery were postponed and resulted in decrease in shipments as well as recorded turnover as compared to the Last Corresponding Period.

To address engineering services optimisation for several implemented projects, the Group has the project services workforce. Based on the relevant requirements of the owners, the Group has upgraded relevant system functions to provide more reliable operation safety services and has caused additional materials consumption. The extensive investment in innovation, research and development for the establishment of new system solution, has caused the increase in research and development workforce and their salaries. As a result, cost of goods sold for the current period were increased.

Turnover for the current period has decreased while cost of goods sold have increased, resulted in gross loss of approximately HK\$1,925,000 was recorded. The Group's selling expenses have increased by 48% as compared to the Last Corresponding Period, mainly due to the more frequent market development activities and more frequent business and technical communication with China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR") and owners of subway in several cities in China.

Administrative expenses have been decreased by 21% as compared to the Last Corresponding Period as a result of effective budgetary control.

Other income of approximately HK\$1,520,000 mainly represents tax refund from sales of software, write back of provision for bad debts, bank interest income and exchange gain recognised, represent a 2.8 times increase from the Last Corresponding Period.

Capital structure

The Group carried out prudent financial policy, surplus cash is deposited in bank to finance operation and investments. Management will review financial forecast of the Group on a regular basis. As at 30 September 2013, the Group had a total cash and bank balances, amounted to approximately HK\$27,326,000.

Employee information

As at 30 September 2013, the Group had 177 employees (2012: 193 employees), 169 and 8 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2013, staff cost including Directors' remuneration was approximately HK\$8,494,000 (2012: approximately HK\$8,438,000).

Liquidity, financial resources and gearing

As at 30 September 2013, the Group had net current assets of approximately HK\$134,023,000, of which approximately HK\$27,326,000 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 2013, the Group had no material contingent liabilities.

Save as disclosed hereof, the information in relation to those matters set out in Rule 18.41 of the GEM Listing Rules has not changed materially from the information disclosed in the most recent published annual report of the Company.

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

As at 30 September 2013, 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 and chief executives, if any, 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 | 175,773,600 ordinary shares Long position | 18.29% |
| Hu Zhi Jian | Company | Interest of controlled corporation | 79,347,600 ordinary shares Long position (Note) | 8.26% |
| | | Beneficial owner | 8,889,000 ordinary shares Long position | 0.93% |
| Lo Kam Hon, Gary | Company | Beneficial owner | 120,000 ordinary shares Long position | 0.01% |
| Wing Kee Eng, Lee | Company | Beneficial owner | 2,778,000 ordinary shares Long position | 0.29% |
| Hu Tiejun | Company | Beneficial owner | 833,000 ordinary shares Long position | 0.09% |
| Lu Ting Jie | Company | Beneficial owner | 833,000 ordinary shares Long position | 0.09% |

Note:

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 2013, so far as 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 2013, so far as is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

| Name | Capacity | Class and number of securities | Approximate percentage of shareholding |
|--------------------------------|------------------|---|---|
| Bright Cosmos Holdings Limited | Beneficial owner | 79,347,600 ordinary shares Long position | 8.26% |

Note:

The entire issued share capital of Bright Cosmos Holdings Limited is held by Hu Zhi Jian.

Save as disclosed above, as at 30 September 2013, so far as 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

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 granted | Number of share options under Share Option Scheme | | | | Exercise price |
|----------------------------|------------------|---------------------------------------|--|--|---|--|-------------------|
| | | | Outstanding as at 1 April 2013 | Lapsed during the period under review | Exercised during the period under review | Outstanding as at 30 September 2013 | |
| <i>Executive Directors</i> | | | | | | | |
| Lo Kam Hon, Gary | 10 December 2003 | 350,000 <i>(Note 2)</i> | - | - | - | - | HK\$0.132 |
| Employees | 10 December 2003 | 480,000 <i>(Note 2)</i> | - | - | - | - | HK\$0.132 |
| Advisers/consultants | 10 December 2003 | 2,700,000 <i>(Note 2)</i> | 800,000 | - | - | 800,000 | HK\$0.132 |
| Other <i>(Note 1)</i> | 10 December 2003 | 2,980,000 <i>(Note 2)</i> | - | - | - | - | HK\$0.132 |
| Total | | <u>22,910,000</u> | <u>800,000</u> | <u>-</u> | <u>-</u> | <u>800,000</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.

Details of 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, 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 2013.

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.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group as at the date of the report.

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 of the Company 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 three 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 2013 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

By order of the Board
Ma Yuanguang
Chairman

Hong Kong, 13 November 2013

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, Professor Lu Ting Jie and Mr. Leung Kwok Keung.