

MAGPlus Multi-Services Platform

MAGPlus Tower

IPBX

IPBX

COMMUNICATIONS

CODEC

MGCP

PABX

OTMF

MAGPlus Large Capacity IVR System

ANNUAL REPORT 年報

2002/03

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国联通信
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)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this document, 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 document. This document, 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ma Yuanguang (*Chairman*)
 Hu Zhi Jian
 Li Guo Ping
 Chau Siu Piu
 Lin Jiang

NON-EXECUTIVE DIRECTOR

Wing Kee Eng, Lee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Tiejun
 Lu Ting Jie

AUTHORIZED REPRESENTATIVES

Chau Siu Piu
 Lo Kam Hon, Gary ACCA, AHKSA

COMPLIANCE OFFICER

Ma Yuanguang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lo Kam Hon, Gary ACCA, AHKSA

AUDIT COMMITTEE

Hu Tiejun
 Lu Ting Jie

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit on 6th floor, Ke Xun Building
 No. 60 Jian Zhong Road, Zhong Shan Da Dao
 Guangzhou City, Guangdong Province, PRC

PRINCIPAL BANKERS

China Construction Bank
 Guangzhou Gongyeyuan Sub-branch
 China Minsheng Banking Corp. Ltd.
 Guangzhou Branch
 Chiyu Banking Corporation Limited
 Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Bank of Butterfield International (Cayman) Ltd.
 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

SPONSOR

Kingsway Capital Limited
 5th Floor, Hutchison House
 10 Harcourt Road, Central
 Hong Kong

AUDITORS

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

STOCK CODE

8060

CORPORATE WEBSITE

www.glink.com.cn

CHAIRMAN'S STATEMENT

Global Link Communications Holdings Limited (the "Company") and its subsidiaries ("Global Link" or "the Group"), is principally engaged in the research and development and provision of telecommunications software solutions for new telecommunications services and value-added telecommunications services as well as provision of other communication network solutions in the People's Republic of China (the "PRC") and in other parts of the Asia-Pacific region. With its successful listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 13th November, 2002, the Group has entered into a significant new era.

FINANCIAL REVIEW

During the year, worldwide economic situation is unstable and the telecommunications market in the Asia-Pacific region is still at low income and adjusting period. The Group remained engaged in the research and development of software solutions and actively developed new value-added content solutions, which made its trademark "Global Link" better known. The Group's turnover for the year was approximately HK\$33,116,000 with profit attributable to shareholders at approximately HK\$2,039,000.

To cope with the future development, the Group has increased resources allocated in human resources, research and development tools and equipments, sales office and market promotion. Upon listed on the GEM board, professional expenses and directors' remunerations have also increased. That explained the decreased net profit in the current year.

BUSINESS REVIEW

The Group with its self-developed core technology, focusing on the market development trend and demand of telecommunications industry, has continuously developed series of creative value-added software solutions and comprehensive total system solutions for new telecommunications services. The Group's development strategy is to strengthen its research and development by increasing invested resources. Market orientated and creative hi-tech products have put the "Global Link" trademark in a better competitive position.

The Group has targeted market to the People's Republic of China ("the PRC") as the worldwide telecommunications market has slowed down in growth, and is adjusting, changing and seeking for a new growth opportunity stage. The Group has put its sales and marketing strategy by positioning Guangzhou Global Link Communications Inc. ("GZGL") as the sales centre in the PRC to increase the marketing effort of the representative office. Products and software solutions will focus on the demand arising from the new growth opportunity by the delivery of feasible solutions. During the year, the Group has captured certain backbone telecommunications operators, including China Telecom Group Corp., China Unicom Corporation Ltd., China Netcom Corporation Ltd. and China Railway Communication Co. Ltd. as well as other value-added service providers.

BUSINESS OUTLOOK

The Group's total system solutions are highly recognized by customers because of its creative and feasible solutions and services. We will continue to introduce and incorporate advanced technology into our product development. We will consolidate PRC's telecommunications' policy, market demand and management's foresight to provide highly effective system solutions to telecommunications operators and value-added telecommunications service providers.

CHAIRMAN'S STATEMENT

In view of intense market competition and shorter life cycle for high technology, an enterprise's further development is partly relied on co-operation and alliance with other parties. The Group's development strategy is to combine competitive advantages by expanding business partnerships to enhance its competitive power.

On the product development side, the Group will develop strategic partnership with professional institutes to create a technical base with insight into the future demand. We will also co-operate with developers in hardware, communications terminals and middle-level software to make our products wider adaptable and at a higher advanced technical level.

In sales and marketing, the Group will be more widespread through co-operation with telecommunications operators and value-added telecommunications service providers in the aspects of the provision of professional consulting service and network design for new operation model as well as joint cooperation. The Group will co-operate with other system integrators and major promotion companies to establish a wider professional sales channel.

Viewing into the future, the Group believed that following the opening of telecommunications market in the PRC, there will be more rooms for expansion and more demands for new telecommunications business. This will not only lead to the success of our clients but also a new successful milestone of the Group.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders of the Company for their full support and to all our dedicated and honorable employees for achieving the business objectives.

Ma Yuanguang

Chairman

Hong Kong, 18th June, 2003

MARKET OVERVIEW

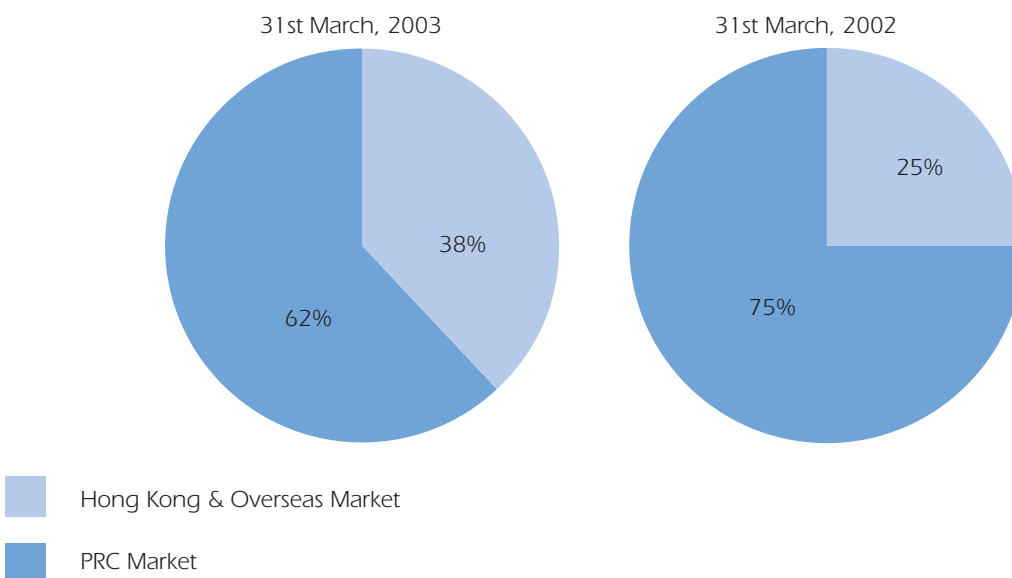
Resulting from the rapid expansion in telecommunications industry in the past few years, problems that need to be solved for the industry development were exposed. Industry players conduct re-structuring and reform, looking for feasible solutions that can contribute profits in an active manner. PRC's telecommunications market develops rapidly and is the country with the highest number of subscribers. Following the entrance into the World Trade Organization, backbone telecommunications operators implemented a significant reform, which led to six operators now in the market. Competition is therefore severe; however, competition also brings new opportunity.

During the year, operators actively seek for new business models as well as value-added service products. At the same time, service providers and agents transform their business models to originate various value-added services that can increase revenue for backbone telecommunications operators. Such business transforming also provides a channel for backbone telecommunications operators to out-source their customer services, market promotion and various value-added telecommunications services for improving the online speed. It brings lot of opportunities for the Group as we were engaged in the provision of solutions for new telecommunications business and value-added service products.

BUSINESS REVIEW

Turnover for the year was approximately HK\$33,116,000, decreased by approximately 4.38% from last year. Gross profit was approximately HK\$10,193,000, giving a gross profit margin of approximately 31%. Gross profit has decreased by approximately 29% comparing to last year. Net profit amounted to approximately HK\$2,039,000, decreased by approximately 80% from last year.

TURNOVER BY REGION



MANAGEMENT DISCUSSION AND ANALYSIS

With GZGL as the base, the Group's target market is the PRC market. The target customers are telecommunications operators and value-added service providers and agents in China. Due to market competition and increases in various service providers and agents, there have been more market opportunities created for the Group. During the year, turnover in the PRC was approximately HK\$20,528,000, represented approximately 62% of the Group's turnover for the year.

Affected by the global economic recession, operators in Asia-Pacific region have lessened their investments or even condensed their businesses. The Group has stabilized its sales network by providing high quality project services at competitive price with advanced technical know-how. During the year, turnover in Hong Kong and overseas market was approximately HK\$12,588,000, represented approximately 38% of the Group's turnover.

Turnover from Hong Kong and overseas market has increased as compared to last year because only five months' sales were recognized as the Group's turnover last year.

TURNOVER BY PRODUCT

MAGPlus series solution contributes major sales to the Group's turnover in the current year. The launching of MAGPlus version 4.0 and its new functions and unique characteristics are broadly recognized by customers. Following the increased value-added service providers and out-sourcing trend, sales volume of the Group's MAGPlus Large Capacity IVR System kept stable. MAGPlus Intelligent Public Phone Management System is the Group's competing arms in the south-east Asia region which will widen the Group's market in the near future. The VoIP solutions has completed research and development in communications network and operational aspects. However, the hardware development is not in the same step as expected.

CUSTOMER ANALYSIS

The Group's customers mainly include those small to medium virtual telecommunications operators and those value-added telecommunications service providers. On the other hand, the Group emphasised on the developing market of backbone telecommunications operators and began to enter into this market. This was resulted from the increase of the number of backbone telecommunications operators to six which in turn increased the demands on new telecommunications business and differentiated content solutions. Our MAGPlus Multi-Services solutions technology has been selected by certain backbone telecommunications operators as the industry standard.

PRODUCT DEVELOPMENT AND CREATIVE TECHNOLOGY

The creative self-developed value-added software solutions and total solutions for telecommunications accounted for the continuous development of the Group and the recognition of its trademark in telecommunications industry. To further enhance its competitive power, the Group has carried out the following projects in relation to product development and technology advancement:

- (1) Strengthened the Group's technology – GZGL has developed a new technology system which replaced the previous research and development centre. The new technology system includes technology committee, research and development center (including product department, testing department, developing department, engineering department) and supplies department. This change is more suitable for the management of sizeable software corporation, allows full utilization of human resources and the new products can meet customers' requirements better. The new technology system serves as the base of the Group for the creation of new technology, new product development and project services.
- (2) Increased investment in research & development and human resources – The Group has recruited more technical employees from the Convention of Overseas Chinese Scholars in Science and Technology and famous universities in the PRC. Research & development employees have increased from 19 last year to 30 this year, which made the Group to have a creative and powerful research & development team.
- (3) Allocated more resources in new product development – This can increase products' adaptability and make our products more advanced on the technical side. The contribution was realized in:–
 - (i) Completion of the development of MAGPlus – Tsever advance version which is more adaptable and compatible with UNIX and LINUX operating system. The Group has entered into backbone telecommunications operators' market through launching of MAGPlus Multi-Services Platform Version 4.0 which has been used by several customers. The Group has also launched MAGPlus – G series and T series, serving small size telecommunications service providers. The Group has developed MAGPlus – QQ version 1.0, a chatting system solution, which is a voice based new value-added service and is now promoted in the market. Another product of the Group is Telecom Hotel version 1.0, an intelligent phone card solution for new telecommunications business model. This product is now used by backbone telecommunications operators like China Railway Communication Co. Ltd.& China Netcom Corporation Ltd.
 - (ii) Development of the 2nd generation of MAGPlus Intelligent Public Phone solution. By cooperating with public phone terminal developer, the Group has completed the development in technical and functional aspects.
 - (iii) The developments of part of the management control software and technological interface software for VoIP network solution have been completed and delivered to customers. In the meantime, VoIP terminal developers are enhancing the adaptability and stability of their products, which likely will contribute revenue to the Group through mutual cooperation of the relevant parties.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Group has capitalized HK\$21 million through listing on the GEM board on 13th November, 2002. There has been no change in the capital structure of the Company since that date.

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 or identified by the directors of the Company (the "Directors") during the normal course of business. As at 31st March, 2003, the Group has a total cash and bank balance amounted to approximately HK\$17,726,000, which mainly generated from initial market capitalization and daily operation.

BUSINESS OUTLOOK

The Group will focus on the development of new products and continue to increase its research and development resources and to integrate the strategic planning. Developing strategic partnership with famous university can attract technical experts for the Group. This can shorten new products' research and development period, reduce research and development costs and develop a new product research and development base for the long term development of the Group. The Group's strategy is to tailor make products for its customers with enhanced product adaptability. Focusing on the development of voice based value-added products to ensure the launching of new products into the market, the Group will develop full alliance with hardware and terminals developers.

To increase its revenue and profit, the Group will (i) increase its market share through product diversification and the capturing of backbone telecommunications operators as customers and penetration into special electrical network market, and (ii) control costs through all aspects including hardware purchases, software packing and delivery as well as repair and maintenance.

Resulting from the PRC economic development and reform on the information industry, the market is now more wide-open. Capitalized on its market understanding, wide customer base, extensive experience and well established trademark, the Group has competitive advantages in its further development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated cashflows and the balance of the net proceeds from the listing of the Company's shares on the GEM board on 13th November, 2002.

As at 31st March, 2003, the Group had net current assets of approximately HK\$33,564,000, of which approximately HK\$17,726,000 were bank and cash balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

CHARGES ON THE GROUP'S ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the Group Reorganisation to rationalise the structure of the Group in preparation for listing of the shares of the Company on the GEM board, details of which had been set out in the Prospectus, there had been no material acquisitions and disposals 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

Most of the trading transactions and assets of the Group were denominated in Renminbi. Based on the past records, the exchange rate of Renminbi and Hong Kong Dollar will remain relatively stable in the foreseeable future. Accordingly, the Directors do not consider that the Group was 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 location of customers. However, for those customers who are located in areas where the Group do not have assets or liabilities were treated as revenue arising in Hong Kong for presentation purpose.

CONTINGENT LIABILITIES

At 31st March, 2003, banking facilities amounting to HK\$1,795,000 (2002: Nil) utilised by a wholly owned subsidiary were guaranteed by the Company.

EMPLOYEE AND SALARIES POLICY

As at 31st March, 2003, the Group has 60 staff (35 staff as at 31st March, 2002), with 48 and 12 in the PRC and Hong Kong respectively.

	At 31st March 2003 Staff Number	At 31st March 2002 Staff Number
Management, finance and administration	14	8
Research and development	30	19
Marketing and sales	16	8
Total	60	35

The total staff costs, including Directors' emoluments, amounted to approximately HK\$3,683,000 for the year under review. Staff remuneration is reviewed by the Group from time to time depending on length of service and performance.

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

	Amount to be used up to 31st March, 2003 as stated in the prospectus of the Company dated 31st October, 2002 (the "Prospectus") <i>(HK\$ million)</i>	Actual amount used up to 31st March, 2003 <i>(HK\$ million)</i>
Enhancement of existing solutions and services	0.8	0.8
Enhancement of research and development capabilities on new solutions and services	0.9	0.9
Establishment of business partnerships and co-operation with universities and research institutes	0.3	0
Market expansion and business development	1.0	1.0
Acquisitions of hi-tech projects, strategic investments and as general working capital	3.0	3.0
Total	6.0	5.7

The unused proceeds are deposited in bank as short term deposits. The Directors believed that the net proceeds capitalized are sufficient to serve the future business plans stated in the Prospectus.

Comparison between actual business progress and business objectives stated in the Prospectus:

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
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Business Development

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Establish business presence in Southeast Asia to promote and market the Group's solutions, aiming to expand the markets in Pakistan and Malaysia. | <p>Appointed an agent in Singapore.</p> |
| <ul style="list-style-type: none"> ▪ Establish business presences in the southwestern part of the PRC to promote and market the Group's solutions. | <p>Appointed an agent in Sichuan province of the PRC.</p> |

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
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Research and Development:

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Continue to enhance the functionality and applications of MAGPlus Multi-Services Platform and research and develop version 4.0 of MAGPlus Multi-Services Platform. ▪ Research and develop second generation Intelligent Public Phone Management System. ▪ Research and develop VoIP Solutions. | <p>Completed the development of MAGPlus Multi-Services Platform version 4.0 and launched into the market</p> <p>In research and development stage, has progress in the advancement of technical standard and functional aspect.</p> <p>In research and development stage, part of the management control software and technological interface software have been completed.</p> |
|--|---|

Solutions and Services:

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Launch upgraded Tserver, which will be compatible with the UNIX and LINUX operating systems ▪ Launch enhanced MAGPlus telecommunications software with "Follow Me" and "Call Back" functions. ▪ Launch MAGPlus – G series. ▪ Launch MAGPlus – T series. | <p>Development completed, launched into market for sales.</p> <p>Development completed, launched into market for sales.</p> <p>Development completed, launched into market for sales.</p> <p>Development completed, launched into market for sales.</p> |
|--|---|

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
<i>Sales and Marketing</i>	
<ul style="list-style-type: none"> ▪ Introduce MAGPlus Multi-Services System to the virtual backbone telecommunications operators; value-added telecommunications service providers and distributors in the Asia Pacific region. 	<p>Promoted in the Asia-pacific region through various channels, either directly or indirectly, and have captured new customers for MAGPlus Multi-Services Platform.</p>
<ul style="list-style-type: none"> ▪ Further promote the “Global Link” brand-name through marketing campaigns. 	<p>Promoted “Global Link” trademark through exhibition, business conference and other business connections.</p>
<ul style="list-style-type: none"> ▪ Expand the sales of MAGPlus Intelligent Public Phone Management System in Pakistan by developing new functional application software that is customized to the needs of the market such as wireless intelligent public phone management network. 	<p>Have upgraded and expanded system capacity for operators in Pakistan.</p>
<ul style="list-style-type: none"> ▪ Commence the first phase of laying the network (the whole network is broadly divided into 3 phases) of Intelligent Public Phone Management System in the PRC. 	<p>The plan has been deferred as the market opportunity was still immature.</p>

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ma Yuanguang (馬遠光), aged 49, is the co-founder and president of the Group and is also the chairman of the board of Directors. Mr. Ma is responsible for the overall strategic planning and management of the Group. Mr. Ma has over twenty-seven 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 North America, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC.

Mr. Hu Zhi Jian (胡志堅) aged 39, is the vice president of the Group and a founding staff 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. Li Guo Ping (李國平), aged 40, is responsible for the marketing planning, sales management and the distribution of the Group's solutions. Mr. Li joined the Group in March 2000. Mr. Li has over ten years working experience in marketing and has established extensive network in the PRC. Mr. Li received his degree from the Physics Department of the Chengdu University of Electronic Science and technology of China (成都電子科技大學).

Mr. Chau Siu Piu (巢笑飆), aged 35, 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).

Dr. Lin Jiang (林江), aged 39, is responsible for the Group's corporate finance activity and business development strategy. Dr. Lin joined the Group in April 2002. He obtained his doctorate degree in economics at the Department of Business Administration of Jinan University (暨南大學). He has been appointed as a deputy general manager of Finance Center in China Merchants Holdings Co., Ltd., an executive director of China Merchants Hai Hong Holdings Limited and Union Bank of Hong Kong Limited.

NON-EXECUTIVE DIRECTOR

Mr. Wing Kee Eng, Lee, aged 50. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Tiejun (胡鉄君), aged 52. Mr. Hu has over twenty years' experience in telecommunications. Mr. Hu Tiejun is currently the chief scientist in China Motion Telecom International Limited, a listed company in Hong Kong and is responsible for technology research and development of the company since 1993.

Professor Lu Ting Jie (呂廷杰), aged 48. 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.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Lo Kam Hon, Gary (勞錦漢), aged 39, is the Group's financial controller and company secretary. Mr. Lo is a qualified accountant, responsible for the Group's financial and cash flow management and budget control. Mr. Lo is an associate of the Association of Chartered Certified Accountants and Hong Kong Society of Accountants. Mr. Lo joined the Group in February 2003 and have more than fourteen years' experience in finance, accounting and treasury.

SENIOR MANAGEMENT

Mr. Li Guo Hui (李國輝), aged 47, 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. Feng Yan Fa (馮彥發), aged 36, the general manager of Research and Development Center of Guangzhou Global Link Communications Inc. since July 2000, is overseeing the overall research and development of the Group. Graduated from the Zhongshan (Sun Yat-sen) University (中山大學) with a Master's degree in Mathematics, Mr. Feng is currently pursuing a Doctoral degree in electronic Communications from South China University of Technology (華南理工大學).

Mr. Zhang Li Ming (張黎明), aged 29, joined Guangzhou Global Link Communications Inc. in June 2002 and is the deputy technical controller, responsible for software development, system analysis, project management and management of development. Mr. Zhang received his bachelor's degree from Xidian University (西安電子科技大學) and is currently pursuing a Master's degree in Software Project from the Zhongshan (Sun Yat-sen) University (中山大學).

Mr. Zhang Wei Jing (張維敬), aged 35, joined Guangzhou Global Link Communications Inc. in July 2000 and is the deputy marketing controller. Mr. Zhang Wei Jing has near ten years' working experience in the marketing and sales in the telecommunications industry.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED (the "Company") will be held at The Constable, 1/F, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, on Friday, 25th July, 2003 at 3:00 p.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March, 2003.
2. To elect directors of the Company (the "Directors") and to authorize the board of directors (the "Board of Directors") of the Company to fix the remuneration of the Directors.
3. To appoint auditors and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. **"THAT**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company, and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined), (ii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and its subsidiaries and/or other eligible persons of shares or rights to acquire shares of the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly;

NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

“Right Issue” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).

B. **“THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its own shares on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;
- (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. **“THAT**

conditional upon Resolutions 4A and 4B being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 4B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution 4A above.”

On behalf of the Board

Ma Yuanguang

Chairman

Hong Kong 18th June, 2003

Head office and principal place of business in Hong Kong:

Room 2102

Manley Commercial Building

367-375 Queen's Road Central

Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the annual general meeting to represent the member.
- (2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.
- (3) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- (4) A circular containing further details regarding the above resolutions regarding the Repurchase Mandate will be sent to the shareholders of the Company together with the annual report of the Company for the year ended 31st March, 2003.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31st March, 2003.

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 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 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 27.

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2003

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 30 and note 23 to the financial statements respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law (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 31st March, 2003, the Company's reserves available for distribution to shareholders, comprising share premium account and retained earnings, amounted to approximately HK\$13,157,000.

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 three financial years is set out as follows:

Financial Highlights

	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000
Turnover	33,116	34,634	21,483
Gross Profit	10,193	14,368	4,424
Profit before Taxation	2,291	11,010	1,974
Profit attributable to shareholders	2,039	10,072	1,618
Total Assets	45,363	21,704	11,596
Total Liabilities	(10,245)	(10,041)	(8,920)
Minority Interests	–	–	(1,085)
Net Assets	35,118	11,663	1,591

Note:

The Financial Summary of the Group for the years ended 31st March, 2002 and 2001 have been extracted from the Company's Prospectus dated 31st October, 2002.

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	31%
– five largest suppliers combined	65%

Sales

– the largest customer	18%
– five largest customers combined	46%

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.

REPORT OF THE DIRECTORS

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.

DONATIONS

Chairtable donations made by the Group during the year amounted to HK\$300,000.

DIRECTORS

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

Executive Directors

Mr. Ma Yuanguang
Mr. Hu Zhi Jian
Mr. Li Guo Ping
Mr. Chau Siu Piu
Dr. Lin Jiang

Non-executive Director

Mr. Wing Kee Eng, Lee

Independent non-executive Directors

Mr. Hu Tiejun
Professor Lu Ting Jie

In accordance with Article 87 of the Company's articles of association, Mr. Hu Zhi Jian and Mr. Li Guo Ping will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 12 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from 1st November, 2002 and such service contract may be terminated by either party thereto giving to the other not less than three months' prior written notice.

Each of the non-executive Director and the independent non-executive Directors is appointed for an initial term of two years commencing from 1st November, 2002 and is 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 11 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the financial statements, 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 or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 13 of this report.

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests of the Directors and chief executive in the shares of HK\$0.01 each in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Number of Ordinary Shares	Type of Interest	Total
Ma Yuanguang	170,530,000	Personal	170,530,000
Chau Siu Piu	100,330,000	Personal	100,330,000
Hu Zhi Jian	84,660,000	Personal	84,660,000
Li Guo Ping	58,120,000	Personal	58,120,000

Save as disclosed above, none of the Directors, chief executive or their associates had any interest in the issued share capital of the Company or any of its associated corporation, as defined in the SDI Ordinance.

SHARE OPTION SCHEMES

Pursuant to the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted by the Company on 24th October, 2002, 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 13th November, 2002, details of which are set out as follows:

Name of grantee	Date of grant	Number of share options granted	Number of share options under the Pre-IPO Share Option Scheme		
			Outstanding as at 13th November, 2002 (the date the Company was listed on the GEM board)	Lapsed during the year under review	Outstanding as at 31st March, 2003
<i>Executive Directors</i>					
Ma Yuanguang	24th October, 2002	10,556,000	10,556,000	–	10,556,000
Chau Siu Piu	24th October, 2002	7,778,000	7,778,000	–	7,778,000
Hu Zhi Jian	24th October, 2002	8,889,000	8,889,000	–	8,889,000
Li Guo Ping	24th October, 2002	4,861,000	4,861,000	–	4,861,000
Lin Jiang	24th October, 2002	2,222,000	2,222,000	–	2,222,000
<i>Non-executive Director</i>					
Wing Kee Eng, Lee	24th October, 2002	2,778,000	2,778,000	–	2,778,000
<i>Independent non-executive Directors</i>					
Hu Tiejun	24th October, 2002	833,000	833,000	–	833,000
Lu Ting Jie	24th October, 2002	833,000	833,000	–	833,000
<i>Senior Management</i>					
Huang Zheng Chao	24th October, 2002	833,000	833,000	–	833,000
Feng Yan Fa	24th October, 2002	778,000	778,000	–	778,000
Li Guo Hui	24th October, 2002	611,000	611,000	–	611,000
Advisers/consultants	24th October, 2002	9,054,000	9,054,000	–	9,054,000
Other employees of the Group	24th October, 2002	7,745,000	7,745,000	361,000	7,384,000
		Total	57,771,000	361,000	57,410,000

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

No share options under the Pre-IPO Share Option Scheme were exercised for the year under review.

As at the date of this report, there are 57,410,000 outstanding share options granted under the Pre-IPO Share Option Scheme representing approximately 8.83% 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 24th 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 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. No share options under the Share Option Scheme were granted up to 31st March, 2003. As at the date of this report, 65,000,000 shares of the Company are available for issue under the Share Option Scheme, representing 10% 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.

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

No person, other than the Directors whose interests are set out in the section headed "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under section 16(1) of the SDI Ordinance.

REPORT OF THE DIRECTORS

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 31st March, 2003.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year under review are set out in note 24 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected or related party transactions in accordance with the requirement of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 31st October, 2002 entered into between the Company and Kingsway Capital Limited (the "Sponsor"), the Sponsor has received and will receive fees for acting as the Company's retained sponsor for the period up to 31st March, 2005.

As at 31st March, 2003, neither the Sponsor nor its directors, employees or their respective associates (as referred to in the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such shares, pursuant to Rules 6.36 and 18.45 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to a financial advice service agreement dated 5th November, 2002 entered into between the Company and First Asia Finance Group Limited, the Company agreed to pay HK\$4,000,000 to First Asia Finance Group Limited for the financial advice services provided by First Asia Finance Group Limited to the Group for a period of twenty-eight months. This cost of services will be allocated to the profit and loss account in accordance with the duration of the agreement. As at 31st March, 2003, HK\$2,860,000 was classified as prepayment stated in the financial statements.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Committee comprises two independent non-executive Directors, Mr. Hu Tiejun and Professor Lu Ting Jie. Mr. Hu Tiejun is the chairman of the audit committee. Three meetings were held during the financial year under review.

AUDITORS

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

On behalf of the Board

Ma Yuanguang

Chairman

Hong Kong, 18th June, 2003

AUDITORS' REPORT

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 27 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2003 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

18th June, 2003

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	3 & 4	33,116	34,634
Cost of sales		(22,923)	(20,266)
Gross profit		10,193	14,368
Other revenue	3	2,028	828
Selling expenses		(1,819)	(1,267)
Administrative expenses		(8,036)	(2,856)
Profit from operations	5	2,366	11,073
Finance costs	6	(75)	(63)
Profit before taxation		2,291	11,010
Taxation	7	(252)	(69)
Minority interests		2,039	10,941
		-	(869)
Profit attributable to shareholders	8	2,039	10,072
Dividends	9	-	2,000
Basic earnings per share (in HK cents)	10	0.31 cents	1.76 cents

The notes on pages 32 to 52 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March, 2003

	Note	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	1,807	567
Negative goodwill	14	(253)	(505)
CURRENT ASSETS			
Inventories	17	1,569	925
Trade and other receivables	18	20,679	11,759
Prepayments and deposits		3,663	1,724
Tax refundable		172	–
Bank and cash balances	19	17,726	7,234
		43,809	21,642
CURRENT LIABILITIES			
Trade and other payables	20	10,002	8,227
Due to a related company		–	848
Due to directors		–	897
Provision for taxation	7	243	69
		10,245	10,041
NET CURRENT ASSETS		33,564	11,601
TOTAL ASSETS LESS CURRENT LIABILITIES		35,118	11,663
NET ASSETS		35,118	11,663
CAPITAL AND RESERVES			
Share capital	21	6,500	21
Reserves		28,618	11,642
		35,118	11,663

Approved and authorized for issue by the Board of Directors on 18th June, 2003.

Ma Yuanguang
Director

Chau Siu Piu
Director

The notes on pages 32 to 52 form an integral part of these financial statements.

BALANCE SHEET

As at 31st March, 2003

	Note	2003 HK\$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	15	21
CURRENT ASSETS		
Prepayments and deposits		3,028
Due from a sub-subsidiary	16	21,188
		24,216
CURRENT LIABILITIES		
Other payables		190
Due to a sub-subsidiary	16	4,390
		4,580
NET CURRENT ASSETS		19,636
NET ASSETS		19,657
CAPITAL AND RESERVES		
Share capital	21	6,500
Reserves	23	13,157
		19,657

Approved and authorized for issue by the Board of Directors on 18th June, 2003.

Ma Yuanguang

Director

Chau Siu Piu

Director

The notes on pages 32 to 52 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2003

	Share capital	Share premium	Merger reserve	Foreign exchange translation reserve	Retained profits	Statutory reserve fund	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000
At 1st April, 2001	21	-	57	12	1,459	42	-	1,591
Profit for the year	-	-	-	-	10,072	-	-	10,072
Transfer to statutory reserve fund	-	-	-	-	(480)	480	-	-
Dividends	-	-	-	-	(2,000)	-	2,000	-
At 31st March, 2002 and 1st April, 2002	21	-	57	12	9,051	522	2,000	11,663
Effect of reorganisation	-	-	2,078	-	-	-	-	2,078
Capitalisation issue of shares	5,699	(5,699)	-	-	-	-	-	-
New shares issued	780	27,300	-	-	-	-	-	28,080
Issue expenses in connection with placing	-	(6,742)	-	-	-	-	-	(6,742)
Profit for the year	-	-	-	-	2,039	-	-	2,039
Transfer to statutory reserve fund	-	-	-	-	(298)	298	-	-
Dividend paid	-	-	-	-	-	-	(2,000)	(2,000)
At 31st March, 2003	6,500	14,859	2,135	12	10,792	820	-	35,118

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 stated in note 1(b).
- (b) Pursuant to the relevant accounting rules and regulations applicable to foreign investment enterprises established in the PRC, the Group's PRC subsidiary is required to transfer not less than 10% of its profit after taxation to the statutory reserve fund until the balance of such fund has reached 50% of its registered capital. The balances of the statutory reserve fund cannot be reduced except where approval is obtained from the relevant PRC authority to set off accumulated losses or increase the capital.

The notes on pages 32 to 52 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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ANNUAL REPORT 2002/03

For the year ended 31st March, 2003

	2003 HK\$'000	2002 HK\$'000
Operating activities		
Profit before taxation	2,291	11,010
Adjustments for:		
Depreciation	178	155
Provision for doubtful debts	2,482	1,104
Written off of inventories	425	–
Bad debts recovery	(1,133)	–
Amortisation of negative goodwill	(252)	(794)
Bank interest received	(38)	(34)
Interest paid	25	22
Operating profit before changes in working capital	3,978	11,463
Increase in trade and other receivables	(10,269)	(5,192)
Increase in inventories	(1,069)	(925)
Increase in trade and other payables	1,775	580
(Decrease)/increase in due to a related company and directors	(1,745)	850
Increase in prepayments and deposits	(1,939)	(1,494)
Cash (used in)/generated from operations	(9,269)	5,282
Interest paid	(25)	(22)
Hong Kong profits tax paid and prepaid	(250)	–
Net cash (used in)/generated from operating activities	(9,544)	5,260
Investing activities		
Acquisition of the remaining interest of a subsidiary	–	(655)
Purchase of fixed assets	(1,418)	(65)
Decrease in restricted bank deposit	–	919
Bank interest received	38	34
Net cash (used in)/generated from investing activities	(1,380)	233
Financing activities		
Proceeds from issuance of shares of GL Limited	2,078	–
Proceeds from issuance of shares upon listing	28,080	–
Listing expenses	(6,742)	–
Repayment of short term borrowing	–	(300)
Proposed dividend paid	(2,000)	–
Net cash generated from/(used in) financing activities	21,416	(300)
Net increase in cash and cash equivalents	10,492	5,193
Cash and cash equivalents at beginning of year	7,234	2,041
Cash and cash equivalents at end of year	17,726	7,234
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	17,726	7,234

The notes on pages 32 to 52 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

(a) The Company

The Company was incorporated in the Cayman Islands on 9th May, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

(b) Group reorganisation and listing on the Growth Enterprise Market

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 23rd October, 2002. Details of the Company's subsidiaries comprising the Group as from 23rd October, 2002 are set out in note 15 to the financial statements. The shares of the Company have been listed on the GEM since 13th November, 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the merger accounting basis in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants. The consolidated financial statements of the Group for the year ended 31st March, 2003, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

Further details of the Group Reorganisation were set out in the prospectus issued by the Company dated 31st October, 2002 (the "Prospectus").

- (c) The difference between the nominal value of the shares and share premium of GL Limited, which was acquired pursuant to the Group Reorganisations, and the nominal value of the Company's shares issued in exchange is dealt with in the merger reserve.
- (d) Comparative amounts have not been presented for the Company's balance sheet as the Company did not exist as at 31st March, 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in arriving at the financial statements conform with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance.

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

The financial statements also conform with the applicable disclosure requirements of GEM. A summary of the significant accounting policies adopted by the Group is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between the Group are eliminated on consolidation.

(b) Subsidiaries

Subsidiaries are companies in which the Group, directly or indirectly, controls more than one half of the voting power; has power to govern the financial and operating policies and to appoint or remove majority of the members of the board of Directors, or to cast majority of votes at the meetings of the board of Directors.

(c) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Fixed assets are depreciated at a rate sufficient to write off their cost of each asset after considering its residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets and depreciation *(Continued)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are assessed annually and when factors indicating impairment are present. If impairment is present, the fixed assets are reported at the lower of carrying amounts or recoverable amounts. The Group determines the recoverable amounts of assets by measuring discounted future cash flows.

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

(e) Impairment

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as an income immediately.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from the supply, development and integration of telecommunication systems is recognised when the merchandise is delivered and the related development and integration services are completed.

Licence fee is recognised in accordance with the terms of the underlying licence agreements.

Revenue from the provision of services is recognised when the services are rendered.

Interest income is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) Cash equivalents

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

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

(j) 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 or corporate entities.

(k) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling 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.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst income statements' items are translated at average rates. Exchange differences are dealt with as a movement in reserves. Upon the disposal of an overseas subsidiary, the related cumulative exchange difference is included in the income statement as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits

(i) Retirement benefits

The Group contributes to Mandatory Provident Fund scheme ("MPF Scheme") which is available to all eligible employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. Payments made to the MPF Scheme are charged as an expenses to the income statement as they fall due.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on applicable rates in accordance with the relevant government regulations.

(ii) Equity compensation benefits

Pursuant to written resolutions of the shareholders of the Company dated 23rd October, 2002, the Company adopted two share option schemes namely, Pre-IPO Share Option Scheme and Share Option Scheme. The options are granted and exercisable at the market price of the shares on the date of grant and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(m) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for items, which are non-assessable or disallowable.

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(n) Provisions and contingencies

A provision is recognised when there is a present obligation (legal or constructive) as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingencies *(Continued)*

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(o) Accounts receivable

Provision is made against accounts receivable to the extent, which they are considered to be doubtful. Accounts receivable in the consolidated balance sheet is stated net of such provision.

(p) 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 economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

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 that segment. 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.

(q) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

3. TURNOVER AND REVENUE

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

Turnover and revenue recognised during the year are as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Turnover		
Sales of goods	33,116	33,308
Licence fees	–	1,281
Services income	–	45
	33,116	34,634
Other revenue		
Bank interest income	38	34
Amortisation of negative goodwill	252	794
Bad debt recovery	1,133	–
Refund on valued-added tax	548	–
Exchange gains	23	–
Sundry income	34	–
	2,028	828
Total revenue	35,144	35,462

4. SEGMENTAL INFORMATION

The Group has only one business segment, which is the provision of value-added telecommunications solutions, telecommunications application software and networking solutions.

Segmental information is presented in respect of the Group's geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group in making operation and financial decision.

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

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets, liabilities, capital expenditure, depreciation and amortisation are based on the geographical locations of assets.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION *(Continued)*

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

	PRC For the year ended 31st March, 2003		Hong Kong For the year ended 31st March, 2002		Elimination For the year ended 31st March, 2003		Total For the year ended 31st March, 2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	20,528	25,908	12,588	8,726	—	—	33,116	34,634
Inter-segment sales*	1,946	—	2,846	—	(4,792)	—	—	—
	22,474	25,908	15,434	8,726	(4,792)	—	33,116	34,634
RESULT								
Segment result	7,526	8,892	2,667	5,476			10,193	14,368
Unallocated corporate expenses							(9,855)	(4,123)
Interest income							38	34
Sundry income							1,990	794
Finance costs							(75)	(63)
Profit before taxation							2,291	11,010
Taxation							(252)	(69)
Net profit							2,039	10,941
ASSETS								
Segment assets	22,375	14,078	23,069	8,131			45,444	22,209
Unallocated assets							172	—
Total assets							45,616	22,209
LIABILITIES								
Segment liabilities	7,260	6,040	2,742	3,932			10,002	9,972
Unallocated liabilities							243	69
Total liabilities							10,245	10,041
OTHER INFORMATION								
Capital expenditure	1,418	65	—	—			1,418	65
Depreciation	178	155	—	—			178	155
Amortisation of negative goodwill	—	—	(252)	(794)			(252)	(794)
Provision for bad and doubtful debts	2,352	1,104	130	—			2,482	1,104

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

NOTES TO THE FINANCIAL STATEMENTS

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Auditors' remuneration	298	18
Provision for bad and doubtful debts	2,482	1,104
Written off of inventories	425	–
Cost of inventories sold	25,362	18,916
Depreciation	178	155
Operating lease rentals - Land and buildings	320	158
Staff costs including directors' emoluments	3,683	1,346

6. FINANCE COSTS

	2003 HK\$'000	2002 <i>HK\$'000</i>
Interest payable on:		
Other loan		
– wholly repayable within five years	25	22
Bank charges	50	41
	75	63

7. TAXATION

(a) Taxation in the consolidated income statement represents:

	2003 HK\$'000	2002 <i>HK\$'000</i>
PRC enterprise income tax	243	–
Hong Kong profits tax		
– Current	–	69
– Underprovision in respect of prior year	9	–
	252	69

(b) Taxation in the consolidated balance sheet represents:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Provision for PRC enterprise income tax	243	–
Provision for Hong Kong profits tax	–	69
	243	69

Hong Kong profits tax has been provided at the rate of 16% (2002:16%) on the estimated assessable profit for the year of the individual companies within the Group arising in Hong Kong.

7. TAXATION *(Continued)*

Guangzhou Global Link Communications Inc. ("GZGL") is a wholly owned subsidiary of the Company and was incorporated in the PRC, therefore is subject to PRC Enterprise Income Tax ("EIT") at 15%. Pursuant to the relevant income tax laws in the PRC, GZGL is entitled to income tax exemption for the first and second profit-making years and a 50% reduction in EIT for the following three years. The first profit-making year was year 2001 and therefore there was EIT tax charge for the year 2003.

No provision for deferred taxation has been made in the financial statements as the effect of timing differences is not material to the Group.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders amounted to approximately HK\$1,702,000 has been dealt with in the financial statements of the Company.

9. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation. However, a final dividend of HK\$2,000,000 was declared and paid by a subsidiary, Hilltop Holdings Group Limited, to its then shareholders for the year ended 31st March, 2002 prior to the Group Reorganisation.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st March, 2003.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st March, 2003 is based on the consolidated profit attributable to shareholders of approximately HK\$2,039,000 and on the 650,000,000 shares of the Company in issue after the Company listing on the GEM Board on 13th November, 2002 as if those shares had been in issue for the year.

The calculation of the basic earnings per share for the year ended 31st March, 2002 is based on the consolidated profit attributable to shareholders of approximately HK\$10,072,000 and on the 572,000,000 shares of the Company in issue after the Group Reorganisation and capitalization issue as if those shares had been in issue for the year.

A diluted earnings per share amount for the two years ended 31st March, 2003 and 2002 has not been shown as there were no dilutive potential ordinary shares existed during the years.

11. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid to the directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	46	–
Basic salaries, allowances and benefits in kind	1,085	318
Discretionary bonuses	–	–
Retirement benefits	31	6
	1,162	324

Five executive directors received emoluments of approximately HK\$417,000, HK\$383,000, HK\$171,000, HK\$77,000 and HK\$68,000, respectively for the year ended 31st March, 2003. One of the executive directors did not receive any emoluments and the remaining four executive directors received emoluments of approximately HK\$136,000, HK\$125,000, HK\$35,000 and HK\$28,000, respectively for the year ended 31st March, 2002.

No directors of the Company waived any emoluments during the year.

The number of directors of the Company whose emoluments fell within the following band is as follows:–

	2003	2002
Nil to HK\$1,000,000	5	5

One non-executive director received director's fee of approximately HK\$20,000 for the year ended 31st March, 2003. Two independent non-executive directors received director's fee of approximately HK\$13,000 each for the year ended 31st March, 2003.

In addition to the directors' emoluments disclosed above 34,306,000 options were granted to five executive directors in 2003 under the Pre-IPO Share Option Scheme as stated in note 22 to the financial statements.

The five individuals whose emoluments were the highest in the Group are as follows:

	2003	2002
Directors	3	2
Non-director employees	2	3
	5	5

11. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Information relating to the emoluments of the three directors has been disclosed above. Details of the emoluments of the two highest paid, non-director employees during the year are as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	285	174
Discretionary bonuses	–	–
Retirement benefits	14	2
	299	176

The two (2002: Three) highest paid, non-director employees whose emoluments fell within the following band:

	2003	2002
Nil to HK\$1,000,000	2	3

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. RETIREMENT BENEFITS

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1st December 2000, the Group is required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries (monthly contribution is limited to 5% of HK\$20,000 for each eligible employees) as stipulated under the MPF legislation.

The employees of the Group participate in a retirement benefit plan (社會保險基金) organized by (廣州市勞動和社會保障局) under which the Group was required to make monthly defined contributions to the plan at certain rates of the employee's basic salary 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 Group's retirement benefit contribution paid for each of the two years ended 31st March, 2003 and 2002 are approximately HK\$149,000 and HK\$78,000 respectively.

13. FIXED ASSETS

Group

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
Beginning of year	64	173	181	450	–	868
Additions	5	295	–	842	276	1,418
End of year	69	468	181	1,292	276	2,286
Accumulated depreciation						
Beginning of year	20	39	181	61	–	301
Charge for the year	7	40	–	85	46	178
End of year	27	79	181	146	46	479
Net book value						
End of year	42	389	–	1,146	230	1,807
Beginning of year	44	134	–	389	–	567

14. NEGATIVE GOODWILL

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cost		
Beginning of year	1,299	–
Arising from acquisition of the remaining interest in a subsidiary	–	1,299
End of year	1,299	1,299
Accumulated amortisation		
Beginning of year	794	–
Amortisation	252	794
End of year	1,046	794
Net book value		
End of year	253	505
Beginning of year	505	–

15. INVESTMENT IN A SUBSIDIARY

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	21	–

Details of the subsidiaries as at 31st March, 2003 are as follows:

Name of Company	Place of incorporation/operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
GL Limited (previously known as Panocom Investment Limited)	British Virgin Islands	Ordinary US\$21,052	100%	–	Investment holding
Hilltop Holdings Group Limited	British Virgin Islands	Ordinary US\$10,000	–	100%	Investment holding and holding of software rights
Guangzhou Global Link Communications Inc.	the PRC	HK\$1,800,000	–	100%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions
Global Link Communications (HK) Limited	Hong Kong	Ordinary HK\$100	–	100%	Provision of value-added telecommunications solutions and telecommunications application software
Plentiful Development Limited	British Virgin Islands	Ordinary US\$1	–	100%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

16. DUE FROM/(TO) SUB-SUBSIDIARIES

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

17. INVENTORIES

Inventories represent computer hardware and accessories were carried at cost.

18. TRADE AND OTHER RECEIVABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Trade receivables (note a)	19,291	11,126
Other receivables (note b)	551	633
Bills receivables (note c)	837	–
	20,679	11,759

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

	2003 HK\$'000	2002 HK\$'000
Between 0 to 90 days	8,755	4,465
Between 91 to 180 days	3,880	1,959
Between 181 to 365 days	5,063	4,292
Between 1 to 2 years	1,593	410
	19,291	11,126

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

- (a) Included in trade receivables are retention monies receivable of approximately HK\$1,054,000 (2002: HK\$379,000).
- (b) Included in other receivables are staff loans of HK\$Nil (2002: HK\$99,000). The loans to staff in 2002 represented a housing loan scheme to executive staff to purchase property in the name of borrowers. The loans were unsecured, interest free and had fixed repayment terms.
- (c) Bills receivable are receivable within three months.

19. BANK AND CASH BALANCES - GROUP

Included in the bank and cash balances of the Group of approximately HK\$5,053,000 (2002: HK\$3,731,000) were deposited with banks in the PRC. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20. TRADE AND OTHER PAYABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Trade payables	3,418	391
Other payables	4,790	3,903
Bills payables	1,794	2,420
Customers' deposits received	-	1,513
	10,002	8,227

Details of the ageing of trade payables are as follows:

	2003 HK\$'000	2002 HK\$'000
Between 0 to 90 days	3,195	391
Between 91 to 180 days	189	-
Between 181 to 365 days	34	-
	3,418	391

Bills payable are repayable within three months.

21. SHARE CAPITAL

	Company 2003 HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.01 each	20,000
Issued and fully paid: 650,000,000 shares of HK\$0.01 each	6,500

21. SHARE CAPITAL *(Continued)*

The comparative balance of the share capital at 31st March 2002 as shown on the consolidated balance sheet represents the proforma share capital of the Company, which was deemed to have been in issue throughout the years ended 31st March 2002 and 2003 with the basis of presentation and consolidation as referred in note 1(b) to the financial statements.

A summary of movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Par value HK\$'000
Shares allotted and issued nil paid on 16th May 2002	<i>(b)</i>	1,000,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of GL Limited pursuant to the Group Reorganisation	<i>(c) & (d)</i>	1,100,000	21
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the Placing	<i>(e)</i>	569,900,000	–
Proforma share capital as at 31st March 2002		572,000,000	21
Capitalisation of the share premium account as set out above		–	5,699
New issue on Placing	<i>(f)</i>	78,000,000	780
Share capital as at 31st March 2003		650,000,000	6,500

The following changes in the Company's authorised and issued share capital took place between the period from 9th May, 2002 (date of incorporation) to 31st March, 2003:

- (a) On incorporation the authorised share capital was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.
- (b) On 16th May, 2002, one share was allotted and issued to the initial subscriber. On the same date, 999,999 shares of HK\$0.01 each were allotted and nil paid.
- (c) Pursuant to the written resolutions of all the shareholders passed on 23rd October, 2002, the authorised share capital of the Company was increased from HK\$10,000 to HK\$20,000,000 by the creation of an additional 1,999,000,000 shares of HK\$0.01 each. On the same date, the directors were authorized (i) to credit as fully paid at par the aggregate of 1,000,000 shares issued and allotted on 16th May 2002 as stated in note 21(b) and (ii) to allot and issue an aggregate of 1,100,000 shares, credited as fully paid at par.

21. SHARE CAPITAL *(Continued)*

- (d) Pursuant to the Group Reorganisation in note 1(b) on 23rd October, 2002, the Company acquired the entire issued share capital in GL Limited in consideration of the issue and allotment of 2,100,000 shares to the former shareholders of GL Limited. The Company became the holding company of the Group with effect from 23rd October, 2002. The difference between the nominal value of shares capital issued by the Company and the nominal value of the share capital and share premium of GL Limited was credited to the merger reserve account.
- (e) Pursuant to a written resolution of all shareholders passed on 24th October, 2002, the directors were authorised to capitalise the amount of HK\$5,699,000 from the amount standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 569,900,000 shares for allotment and issued to the persons whose names appear on the register of members of the Company as at the close of business on 24th October, 2002, pro-rata to its/their then existing shareholdings in the Company.
- (f) Pursuant to the listing of the shares of the Company on GEM on 13th November, 2002, 78,000,000 shares of the Company were issued by way of a placing for cash of HK\$0.36 per share. The excess of the issued price over the par value of the shares issued has been credited to the share premium account of the Company.
- (g) All shares both issued and unissued rank pari passu in all respects.

22. SHARE OPTION SCHEMES

- (a) Pursuant to the Pre-IPO Share Option Scheme of the Company adopted on 24th October, 2002, the directors, employees, consultants and adviser of the Group may be granted share option to subscribe for shares of the Company at an exercise price of HK\$0.036 each.

As at 31st March, 2003, there were 57,410,000 share options granted under the Pre-IPO Share Option Scheme, which have a duration of 10 years from the date of grant of the options and exercisable after one year from the date of listing of the shares of the Company on the GEM.

Outstanding at 1st April, 2002	Consideration	Exercise price	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Outstanding at 31st March, 2003
–	HK\$58	HK\$0.036	57,771,000	–	361,000	57,410,000

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE OPTION SCHEMES *(Continued)*

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

No share options were granted under the Share Option Scheme since its adoption.

- (c) Further details of the share option schemes were set out in the Prospectus.

23. RESERVES

Company

	Share premium	Revenue reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the date of incorporation on 9th May, 2002	–	–	–
Capitalisation issue of shares	(5,699)	–	(5,699)
New shares issued	27,300	–	27,300
Issue expenses in connection with placing	(6,742)	–	(6,742)
Loss for the year	–	(1,702)	(1,702)
At 31st March, 2003	14,859	(1,702)	13,157

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

24. RELATED PARTY TRANSACTIONS

The Group had the following material transactions, which were carried out in the normal course of business at prices and terms similar to those charged to and contracted with other customers, suppliers, with related parties during the year.

Discontinuing transactions

Related Party	Nature of Transaction	Year ended 31st March,,	
		2003 HK\$'000	2002 HK\$'000
Chengdu Guangyou Technology Enterprises Company Limited (成都廣有科技實業有限公司)	Purchase of raw materials and software by the Group	-	813
	Sales of solution by the Group	-	1,627
Wuhan Tian Yi Wang Luo Ji Shu You Xian Gong Si (武漢天一網絡技術有限公司)	Sales of solution by the Group	-	119
Wells Development Limited ("Wells")	Licence fee received by the Group	-	1,281
	Purchase on behalf of the Group	-	795

Mr. Li Guo Ping and his wife, shareholders of Chengdu Guangyou Technology Enterprise Company Limited, were interested in 30% and 15% respectively of the equity interest of Chengdu Guangyou Technology Enterprise Company Limited (成都廣有科技實業有限公司).

Mr. Li Guo Ping, a shareholder of Wuhan Tian Yi Wang Luo Ji Shu You Xian Gong Si (武漢天一網絡技術有限公司), was interested in 40% equity interest of Wuhan Tian Yi Wang Luo Ji Shu You Xian Gong Si (武漢天一網絡技術有限公司).

Mr. Ma Yuanguang and Mr. Chau Siu Piu, shareholders and directors of Wells, are interested in 50% of Wells respectively.

On 1st November, 2001, the directors of Group decided to cease the value-added communications solution business of Wells. Hong Kong Global Link continues the value-added telecommunications solution business. Since then, no licence fee was received from Wells.

The directors are of the opinion that the above transactions were carried out in the normal course of business of the Group, the price was determined on an arm's length basis and at normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS

25. MAJOR NON-CASH TRANSACTIONS

On 23rd October, 2002, the Company issued an aggregate 2,100,000 shares of HK\$0.01 each as consideration to acquire the entire issued share capital in GL Limited.

26. COMMITMENTS

The Group had operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The total commitments payable under these agreements are analysed as follows:–

	2003 HK\$'000	2002 HK\$'000
Amounts payable		
– within one year	446	356
– between one year to five years	414	654
	860	1,010

27. CONTINGENT LIABILITIES

At 31st March, 2003, banking facilities amounting to HK\$1,795,000 (2002: HK\$ Nil) utilised by a wholly owned subsidiary were guaranteed by the company.

28. POST BALANCE SHEET EVENT

There were no significant post balance sheet event which occurred since the balance sheet date to the date of these financial statements which have had or may have a material effect on the financial position of the Group at 31st March, 2003 or the Group's results for the year then ended.