



國聯通信控股有限公司

**Global Link Communications Holdings Limited**

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

**First Quarterly Report 2003**

## **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.**

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## HIGHLIGHTS

Turnover for the three months ended 30 June 2003 was HK\$9,161,000 representing a 109% increase from the corresponding period of last year.

Net profit attributable to shareholders amounted to approximately HK\$750,000 representing a 59% increase from the corresponding period of last year.

## UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2003

The board of directors (the “Directors”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 30 June 2003 together with the unaudited comparative figures for the corresponding period in 2002 (“Last Corresponding Period”) as follows:

		For the three months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	9,161	4,379
Cost of sales		(7,333)	(2,524)
Gross profit		1,828	1,855
Other revenue		1,052	68
Selling expenses		(282)	(472)
Administrative expenses		(1,647)	(934)
Profit from operations		951	517
Finance costs		(72)	(9)
Profit before taxation		879	508
Taxation	3	(134)	(37)
Profit after taxation		745	471
Minority interest		5	0
Profit attributable to shareholders		750	471
Earnings per share			
– basic (in HK cents)	5	0.12	0.08

## **Notes:**

### **1. Group reorganization and basis of presentation**

The Company was incorporated in the Cayman Islands on 9 May 2002 as an exempted Company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”) to rationalize the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the Group upon completion of the Reorganization on 23 October 2002. The Company’s shares were listed on GEM on 13 November 2002. The Group resulting from the Reorganization is regarded as a continuing entity.

The unaudited consolidated results of the Group have been prepared as if the Group for the three months ended 30 June 2003 and 30 June 2002 had been in existence throughout the periods covered by this report.

All significant transactions and balances between Companies now comprising the Group have been eliminated on consolidation.

The unaudited consolidated results of the Group are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

### **2. Turnover and revenue**

Turnover represents the net invoiced value of the sales of goods and licence fees received after allowances for returns and trade discounts and after elimination of all significant intra-group transactions.

### **3. Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% for the three months ended 30 June 2003 (2002: 16%) on the estimated assessable profits arising in or derived from Hong Kong.

Guangzhou Global Link Communications Inc. (“GZGL”) is a wholly owned subsidiary of the Company and was incorporated in the People’s Republic of China (“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.

There was no significant unprovided deferred taxation for the three months ended 30 June 2003.

#### 4. Dividend

The Directors does not recommend an interim dividend for the three months ended 30 June 2003 (2002: nil)

#### 5. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 June 2003 is based on the Group's unaudited consolidated net profit attributable to shareholders of the Company for the three months ended 30 June 2003 of approximately HK\$750,000 and on the weighted average number of 650,000,000 shares in issue during the period.

The basic earnings per share for the last corresponding period in 2002 is based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$471,000 and the weighted average number of 572,000,000 share.

No diluted earnings per share has been presented as the company has no dilutive potential shares.

#### 6. Reserves

	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Foreign exchange reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st April 2002	9,051	2,000		522	12	57	11,642
Profit for the period	471						471
As at 30 June 2002	<u>9,522</u>	<u>2,000</u>		<u>522</u>	<u>12</u>	<u>57</u>	<u>12,113</u>
As at 1st April 2003	10,792		14,859	820	12	2,135	28,618
Profit for the period	750						750
Transfer to statutory reserve fund	(138)			138			
As at 30 June 2003	<u>11,404</u>		<u>14,859</u>	<u>958</u>	<u>12</u>	<u>2,135</u>	<u>29,368</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Business review and outlook**

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 PRC and in other parts of the Asia-Pacific region.

During the period under review, the Group kept going for its target despite the outbreak of the Iraq War and the severe acute respiratory syndrome in the Asia-Pacific region.

The Group has newly incorporated Beijing Global Link Weiye Communications Technology Inc., a 95% interest subsidiary in Beijing. This will make the Group's sales and after sales services network in the northern, north-western and north-eastern PRC areas better covered.

GZGL, the Group's base for research and development and market development in the PRC, has obtained the GB/T 19001-2000-ISO 9001: 2000 quality management system certification. This certification recognised the quality of GZGL's telecommunication software development, integrated system and related services, which increased customers' confidence and made the "Global Link" brand name and the Group's products more competitive. It also allowed the Group's products to penetrate into the backbone telecommunications operators' segment in a faster way. Currently, some of the backbone telecommunications operators have adopted the Group's solution technology and business model as the industry's standard. With its diversification and creativity in new business, the Group has successfully developed series of creative systems for value-added business which further developed the Group's market share in the Asia-Pacific region. In the meantime, the Group has also captured more new customers in Shanghai and Fujian, the PRC.

Viewing into the future, the Group will continuously reorganize and enhance its competitive advantage to establish market channel for its products and promote the "Global Link" brand name. The Group will provide most advanced and creative telecommunications products and software solutions, mature and practical new telecommunications business operation model and consulting services to new small to medium virtual telecommunications operators, value-added telecommunications service providers and backbone telecommunications operators aiming to be the best business partner of our customers. With the success of customers, the Group will also achieve a new level of success.

## **Financial review**

For the three months ended 30 June 2003, the Group recorded a turnover of approximately HK\$9,161,000, representing an increase by approximately 109% as compared with that of the last corresponding period. Gross profit of approximately HK\$1,828,000 was recorded, representing a decrease by approximately 1.5% as compared with that of the last corresponding period. Gross profit margin decreased from approximately 42% to approximately 20% while net profit margin decreased from approximately 11% to approximately 8% during the review period as compared with that of the last corresponding period. Net profit attributable to the shareholders of the Company amounted to approximately HK\$750,000, representing an increase by approximately 59%, as compared with that of the last corresponding period.

During the review period, the Group with its self-developed core technology, continuously developed series of creative softwares for value-added telecommunications services and multi-solutions for new telecommunication business. Keeping increase in research and development resources have increased its competitive power. As a result, the backbone telecommunication operators adopted the Group's products which accounted for the huge increase in turnover in this quarter.

In view of the Group's development strategy, the investment in research and development has caused the decrease in gross profit in the short term. However, the Group believed such continuously new product development strategy will bring in a remarkable return for the Group once the newly developed products and solutions increased the Group's market share in the near future.

GZGL has been recognized by The Information Industry Department of the Guangdong Province as a software enterprise, and is entitled for value-added tax ("VAT") refund benefit, i.e. the Group can obtain refund for the VAT paid for its registered software products. The actual VAT rate is therefore 3% only. The Group has received approximately HK\$1,006,000 VAT refund in this quarter and this will benefit the Group's future development.

Selling expenses has decreased despite the increase in turnover is mainly resulted from strengthened cost control implemented by the Group. The increased administrative expenses is mainly caused by the professional expenses after listing. This explained the decrease in net profit margin. However, the profit attributable to shareholders has significant increased as a result of the huge increase in turnover for the period under review.

## DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 30 June 2003, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities
Ma Yuanguang	Company	Beneficial owner	170,530,000 ordinary shares Long position
			10,556,000 ordinary shares Long position (Note)
Chau Siu Piu	Company	Beneficial owner	100,330,000 ordinary shares Long position
			7,778,000 ordinary shares Long position (Note)
Hu Zhi Jian	Company	Beneficial owner	84,660,000 ordinary shares Long position
			8,889,000 ordinary shares Long position (Note)



<b>Name of Director</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>
Li Guo Ping	Company	Beneficial owner	58,120,000 ordinary shares Long position
			4,861,000 ordinary shares Long position (Note)
Lin Jiang	Company	Beneficial owner	2,222,000 ordinary shares Long position (Note)
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note)
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (Note)
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position (Note)

*Note:*

Share options to subscribe for 10,556,000 shares, 7,778,000 shares, 8,889,000 shares, 4,861,000 shares, 2,222,000 shares, 2,778,000 shares, 833,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Chau Siu Piu, Hu Zhi Jian, Li Guo Ping, Lin Jiang, Wing Kee Eng, Lee, Hu Tiejun and Lu Ting Jie respectively pursuant to the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted and approved by the shareholders of the Company on 24 October 2002.

Save as disclosed above, as at 30 June 2003, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 June 2003, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholding</b>
Signify Island Limited	Beneficial owner	45,260,000 ordinary shares Long position <i>(Note)</i>	6.96%
Tang Yuk Luen	Interest of a controlled corporation	45,260,000 ordinary shares Long position <i>(Note)</i>	6.96%

*Note:*

Signify Island Limited is a company incorporated in the British Virgin Islands, the entire issued share capital is owned by Mr. Tang Yuk Luen who is a private investor. Save for being a significant shareholder (as defined under the GEM Listing Rules), Mr. Tang Yuk Luen is an independent third party not connected with any of the Directors, chief executives, initial management shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules).

Save as disclosed above, as at 30 June 2003, so far is known to the Directors, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

Save as disclosed in this report, as at 30 June 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and/or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors nor chief executives of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

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

None of the member of the Group had purchased, sold or redeemed any of the shares of the Company during the three months ended 30 June 2003.

## **SPONSOR'S INTERESTS**

Pursuant to a sponsorship agreement dated 31 October 2002 entered into between the Company and Kingsway Capital Limited ("Kingsway"), Kingsway will be retained as the sponsor of the Company for the purpose of Chapter 6 of the GEM Listing Rules for the period from 13 November 2002 (being the listing date) to 31 March 2005. The Company agreed to pay an advisory fee to Kingsway for its provision of such services.

At the date of this report, none of Kingsway, its directors, employees nor their respective associates (as defined in the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group.

## **COMPETING INTERESTS**

None of the Directors nor the substantial shareholder nor the initial management shareholders (as defined in the GEM Listing Rules) of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules for the three months ended 30 June 2003.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Mr. Hu Tiejun and Professor Lu Ting Jie, both being independent non-executive Directors. The Group's unaudited results for the three months ended 30 June 2003 have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 13 August 2003