



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)

Interim 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.

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

HIGHLIGHTS

Turnover for the six months ended 30 September 2003 was HK\$16,734,000 representing a 7.9% increase from the corresponding period of last year.

Net loss attributable to shareholders amounted to approximately HK\$3,810,000 representing a 174% decrease from the corresponding period of last year.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

The board of directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 September 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended		For the six months ended	
		30 September		30 September	
		2003	2002	2003	2002
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2 & 4	7,573	11,130	16,734	15,509
Cost of sales		(6,809)	(5,305)	(14,142)	(7,829)
Gross profit		764	5,825	2,592	7,680
Other revenue		122	100	1,175	168
Selling expenses		(527)	(336)	(809)	(808)
Administrative expenses		(4,940)	(863)	(6,587)	(1,797)
(Loss)/profit from operations	3	(4,581)	4,726	(3,629)	5,243
Finance costs		(15)	(1)	(88)	(10)
(Loss)/profit before taxation		(4,596)	4,725	(3,717)	5,233
Taxation	5	(4)	(57)	(115)	(94)
		(4,600)	4,668	(3,832)	5,139
Minority interests		17	0	22	0
(Loss)/profit attributable to shareholders		(4,583)	4,668	(3,810)	5,139
Dividend	6	0	0	0	0
Basic (loss)/earning per share (in HK cents)	7	(0.7)	0.8	(0.6)	0.9

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2003 (Unaudited) <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	8	2,362	1,807
Negative goodwill		(253)	(253)
		2,109	1,554
CURRENT ASSETS			
Inventories		3,217	1,569
Trade and other receivables	9	17,307	20,679
Prepayment and deposits		5,185	3,663
Tax refundable		230	172
Bank and cash balances		9,108	17,726
		35,047	43,809
CURRENT LIABILITIES			
Trade and other payables	10	5,464	10,002
Provision for taxation	5	358	243
		5,822	10,245
NET CURRENT ASSETS		29,225	33,564
MINORITY INTERESTS		(26)	–
NET ASSETS		31,308	35,118
CAPITAL AND RESERVES		31,308	35,118

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(7,911)	(1,894)
Net cash outflow from returns on investments and servicing of finance	(771)	(1,974)
Net cash inflow/(outflow) from investing activities	17	(381)
Net cash outflow before financing	(8,665)	(4,249)
Net cash inflow from financing	47	2,000
Decrease in cash and cash equivalents	(8,618)	(2,249)
Cash and cash equivalents at 1 April	17,726	7,234
Cash and cash equivalents at 30 September	<u>9,108</u>	<u>4,985</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange translation reserve	Retained profits	Statutory reserve fund	Proposed final dividend	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(note a)</i>			<i>(note b)</i>		
As at 1 April 2002	21	-	57	12	9,051	522	2,000	11,663
Profit for the period	-	-	-	-	5,139	-	-	5,139
Effect of reorganisation	-	-	2,000	-	-	-	-	2,000
Transfer to statutory reserve fund	-	-	-	-	(239)	239	-	-
Dividend paid	-	-	-	-	-	-	(2,000)	(2,000)
As at 30 September 2002	<u>21</u>	<u>-</u>	<u>2,057</u>	<u>12</u>	<u>13,951</u>	<u>761</u>	<u>-</u>	<u>16,802</u>
As at 1 April 2003	6,500	14,859	2,135	12	10,792	820	-	35,118
Loss for the period	-	-	-	-	(3,810)	-	-	(3,810)
Transfer to statutory reserve fund	-	-	-	-	(142)	142	-	-
As at 30 September 2003	<u>6,500</u>	<u>14,859</u>	<u>2,135</u>	<u>12</u>	<u>6,840</u>	<u>962</u>	<u>-</u>	<u>31,308</u>

Note:

- (a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from Group Reorganisation stated in note 1 below.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

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. Further details of the Reorganization are set out in the Company's prospectus dated 31 October 2002 (the "Prospectus"). 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 condensed consolidated interim financial statements of the Group for the three months and six months ended 30 September 2003 and 30 September 2002 are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice 2.125 "Interim Financial Reporting" as 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. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging the following:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	120	45	215	83
Operating lease rentals	142	85	249	152
Staff costs including directors' emolument	1,156	418	2,206	900

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.

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

	PRC		Hong Kong		Total	
	For the six months ended 30 September 2003 (Unaudited) HK\$'000		For the six months ended 30 September 2002 (Unaudited) HK\$'000		For the six months ended 30 September 2003 (Unaudited) HK\$'000	
Turnover	<u>8,616</u>	<u>9,051</u>	<u>8,118</u>	<u>6,458</u>	<u>16,734</u>	<u>15,509</u>
Result	<u>1,916</u>	<u>4,458</u>	<u>676</u>	<u>3,222</u>	<u>2,592</u>	<u>7,680</u>
Unallocated corporate expenses					(7,396)	(2,605)
Interest income					17	21
Sundry income					1,158	147
Finance costs					(88)	(10)
(Loss)/profit before taxation					(3,717)	5,233
Taxation					(115)	(94)
Minority interests					22	-
Net (loss)/profit					<u>(3,810)</u>	<u>5,139</u>

5. Taxation

No Hong Kong profits tax has been provided for the six months ended 30 September 2003 (2002: 16%) as the Group did not have any estimated assessable profits arising in or derived from Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profit for the periods at the rates of taxation prevailing in the country in which the subsidiary operates.

There was no significant unprovided deferred taxation for the six months ended 30 September 2003.

6. Dividend

The Board does not recommend an interim dividend for the six months ended 30 September 2003 (six months ended 30 September 2002: nil)

7. Loss/earnings per share

The calculation of the basic loss per share for the three months and six months ended 30 September 2003 is based on the Group's unaudited consolidated net loss attributable to shareholders and 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 Group's unaudited consolidated net profit attributable to shareholders and the weighted average number of 572,000,000 shares.

No diluted loss/earnings per share has been presented as the Company has no dilutive potential shares.

8. Fixed assets

	Six months ended 30 September 2003 (Unaudited) HK\$'000
Opening balance	1,807
Additions	770
Depreciation	(215)
	<hr/>
Closing balance	<u><u>2,362</u></u>

9. Trade and other receivables

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Trade receivables	16,880	19,291
Other receivables	427	1,388
	<hr/>	<hr/>
	<u><u>17,307</u></u>	<u><u>20,679</u></u>

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

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

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Between 0 to 90 days	4,816	8,755
Between 91 to 180 days	4,120	3,880
Between 181 to 365 days	5,957	5,063
Between 1 to 2 years	1,987	1,593
	<hr/>	<hr/>
	<u><u>16,880</u></u>	<u><u>19,291</u></u>

10. Trade and other payables

	As at 30 September 2003 (Unaudited) <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
Trade payables	1,328	3,418
Other payables	3,233	4,790
Bills payables	569	1,794
Customers' deposit received	334	–
	<u>5,464</u>	<u>10,002</u>

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

	As at 30 September 2003 (Unaudited) <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
Between 0 to 90 days	337	3,195
Between 91 to 180 days	4	189
Between 181 to 365 days	987	34
	<u>1,328</u>	<u>3,418</u>

Bills payables are repayable within three months.

11. 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:–

	As at 30 September 2003 (Unaudited) <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
Amounts payable		
– within one year	446	446
– between one year to five years	188	414
	<u>634</u>	<u>860</u>

MANAGEMENT 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 one-stop multi-services telecommunications business solutions for telecommunications operators' in the PRC and in the other parts of the Asia-Pacific region.

During the period under review, the Group kept going for its target and have solid achievements in market expansion, marketing of its creative software solutions and research and development of new products.

The Group has incorporated Beijing Global Link Weiye Communications Technology Inc. in Beijing and a representative office in Chengdu. This will make the Group's sales and after sales services network in the northern, north-western, north-eastern and south-western PRC areas better covered.

In view of the continuous changing and opening, with high growth potential and severe competition of the PRC telecommunications market, the Group, with its successful and practical experience in that market and competent research and development team, will keep launching creative and complete business solutions with unique characteristics to telecommunications operators. During the period, after conducted a research on the operation chain of the telecommunications market, the Group has launched creative solutions namely Telecom Hotel, Fixed-Line Prepaid and One Number to the market. With the mission to serve telecommunications operators in a comprehensive manner, these solutions can achieve a winning position for operators, solution providers as well as value-added services providers. The Group has earned broad recognition from backbone telecommunications operators, value-added services providers and agents through its creative business solutions. Some of the backbone telecommunications operators have adopted the Group's solution technology and business model as the industry's standard. The Group's products have penetrated into the backbone telecommunications operators' segment and captured new customers in major cities such as Beijing, Shanghai, Guangzhou, Shenyang and Chengdu. At the same time, overseas market also recorded a steady growth.

Viewing into the future, the Group will enhance its customers' competitive edge through creative products. With the mission to satisfy customers' requirements by providing unique characteristic solutions can further promote the "Global Link" brand name. The Group believe its flexible, detailed oriented and unique characteristic solutions can construct business chain through

operators and ally with agents. This will keep capture more customers and market segments for the Group. The strategic relationship with operators and services providers will bring a better prospect for the Group.

Financial review

For the six months ended 30 September 2003, despite the increase in turnover by approximately 7.9% to HK\$16,734,000, the Group recorded a decrease in gross profit by 66% to HK\$2,592,000 as compared with the same period in 2002. Gross profit margin decreased from 49.5% to 15% which cause a net loss for the review period.

The outbreak of the severe acute respiratory syndrome in the first half year of 2003 has limited business activities and less contracts were secured in last quarter. This caused and explained the decreased in turnover for the three months ended 30 September 2003 as compared to the corresponding quarter in last year.

To give management a more prudent status of the Group's financial resources, the Group has strengthened its credit control policy which caused increase in provision for doubtful debts and therefore the increased administrative expenses.

In view of industry nature and the Group's development strategy, the investment in research and development has caused the huge decrease in gross profit and even suffer net loss 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.

Capital structure

The Group has capitalised HK\$21 million through listing on the GEM board on 13 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 30 September 2003, the Group has a total cash and bank balance amounted to approximately HK\$9,108,000, which mainly generated from initial market capitalisation and daily operation.

Material acquisition, disposal and significant investment

The Group had not made any material acquisition or disposal of subsidiaries or affiliated companies, significant investments or divestments during the six months ended 30 September 2003.

Employee information

As at 30 September 2003, the Group had 72 employees (30 September 2002: 54 employees). 60 and 12 of them are working in the PRC and Hong Kong respectively. For the six months ended 30 September 2003, staff costs including Directors' remuneration was approximately HK\$2 million (six months ended 30 September 2002: HK\$0.9 million). The increase in staff cost was mainly due to the increase in number of staff and the directors' remuneration during the period.

Liquidity, financial resources and gearing

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 13 November 2002.

As at 30 September 2003, the Group had net current assets of approximately HK\$29,225,000, of which approximately HK\$9,108,000 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.

The Group did not have any interest bearing bank loan and other borrowings for the period under review.

Charges on Group assets

As at 30 September 2003, the Group did not pledge any of its assets to banks and financial institutions to secure any general credit facilities (31 March 2003: nil).

Contingent liabilities

As at 31 March 2003, banking facilities amounting to HK\$569,000 (31 March 2003: HK\$1,795,000) utilised by a wholly owned subsidiary were guaranteed by the company.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 30 September 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 <i>(Note)</i>
Chau Siu Piu	Company	Beneficial owner	100,330,000 ordinary shares Long position
			7,778,000 ordinary shares Long position <i>(Note)</i>
Hu Zhi Jian	Company	Beneficial owner	84,660,000 ordinary shares Long position
			8,889,000 ordinary shares Long position <i>(Note)</i>
Li Guo Ping	Company	Beneficial owner	58,120,000 ordinary shares Long position
			4,861,000 ordinary shares Long position <i>(Note)</i>

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities
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 September 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.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed herewith, none of the Directors or their spouses or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 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:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.69%
Signify Island Limited	Beneficial owner	45,260,000 ordinary shares Long position (<i>Note 1</i>)	6.96%
Tang Yuk Luen	Interest of a controlled corporation	45,260,000 ordinary shares Long position (<i>Note 1</i>)	6.96%
Sky Victory Limited	Beneficial owner	40,000,000 ordinary shares Long position (<i>Note 2</i>)	6.15%

Notes:

1. 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).
2. According to a written notice provided by Sky Victory Limited, as at 30 September 2003, it is the beneficial owner of 40,000,000 ordinary shares in the Company. No further details of the shareholder of Sky Victory Limited has been disclosed thereof.

Save as disclosed above, as at 30 September 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.

USE OF PROCEEDS

	For the six months ended 30 September 2003	
	As stated in the Prospectus (HK\$ million)	Actual amount Used (HK\$ million)
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	0.3
Market expansion and business development	1.0	1.0
Acquisitions of hi-tech projects, strategic investments and as general working capital	2.0	2.0
	<hr/>	<hr/>
Total	<u>5.0</u>	<u>5.0</u>

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)

Business Development

- | | |
|--|--|
| – Form a research center with a renowned university or a telecommunications research institute in the PRC to proceed with the research and development of telecommunications operating solution plans. | Signed a cooperative agreement with a university and started research and development work. |
| – Establish business presence along the south-eastern part of the PRC, including Shanghai and Fujian, to promote and market the Group’s solutions. | Established business presence in south-eastern part of the PRC, including Shanghai and Fujian. |
| – Enter into two sales agency agreements with agents in Wuhan and Haikou (海口), the PRC to expand the distribution networks for the Group’s solutions. | Signed two sales agency agreements in Wuhan and Haikou. |

Research and Development:

- | | |
|--|--|
| – Continue the research and development of VoIP Solutions. | Development completed, launched into market for sales. |
| – Research and develop Large Volume Communication System software (大容量話務系統功能軟件). | Development completed, launched into market for sales. |

Business objectives as stated in the Prospectus

Actual business progress/change in business objectives (if any)

Solutions and Service

- Launch web-based Operating Support System(OSS). In view of market demand, completed the development of Telecom Hotel, an operation system for voice telecommunication platform (this platform included an Operations Support System (OSS)), and launched into market for sales.
- Launch Conferencing Business System based on version 4.0 of the MAGPlus Multi-Services Platform. Development completed, launched into market for sales.
- Launch second generation MAGPlus Intelligent Public Management System. Development completed, launched into market for sales.
- Launch VoIP Remote Access System (IP 電話專線接入系統)。 Development completed, launched into market for sales.

Sales and Marketing

- Strengthen the marketing efforts in promoting Group’s low-cost and highly efficient solution plan to virtual backbone telecommunications operators, value-added telecommunications services providers and distributors. Further enhance marketing effort, participated the Virtual Telecommunications Operations and Value-added Telecommunications Services Conference held in Beijing in August 2003 and interviewed by the “Value-added Telecommunications” magazine.
- Increase the efforts in marketing the Group’s solutions in the Southeast Asian countries (such as Malaysia) that are gradually opening their telecommunications industries. Promote the Group’s software solutions through various channels in Southeast Asia.
- Promote version 4.0 of the MAGPlus Multi-Services Platform, the MAGPlus-G series and the MAGPlus -T series in the PRC. Marketing started with preliminary results.
- Promote VoIP Remote Access System (IP 專線接入系統) to the main operators of the PRC. Marketing started.

SHARE OPTION SCHEMES

Pursuant to the Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted by the Company on 24 October 2002, the Directors and certain participants have been granted options to subscribe for shares of the Company at a subscription price of HK\$0.036 per share, representing 10% of the placing price of the shares of the Company as at 13 November 2002, details of which are set out as follows:

Name of grantee	Date of granted	Number of share options granted	Number of share options under the Pre-IPO Share Option Scheme		
			Outstanding as at 1 April 2003	Lapsed during the period under review	Outstanding as at 30 September 2003
<i>Executive Directors</i>					
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	–	10,556,000
Chau Siu Piu	24 October 2002	7,778,000	7,778,000	–	7,778,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	–	8,889,000
Li Guo Ping	24 October 2002	4,861,000	4,861,000	–	4,861,000
Lin Jiang	24 October 2002	2,222,000	2,222,000	–	2,222,000
<i>Non-executive Director</i>					
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	–	2,778,000
<i>Independent non-executive Directors</i>					
Hu Tiejun	24 October 2002	833,000	833,000	–	833,000
Lu Ting Jie	24 October 2002	833,000	833,000	–	833,000
<i>Senior Management</i>					
Feng Yan Fa	24 October 2002	778,000	778,000	–	778,000
Li Guo Hui	24 October 2002	611,000	611,000	–	611,000
Advisers/consultants	24 October 2002	9,054,000	9,054,000	–	9,054,000
Other employees of the Group	24 October 2002	8,578,000	8,217,000	416,000	7,801,000
	Total	57,771,000	57,410,000	416,000	56,994,000

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

Pursuant to written resolution of all the shareholders of the Company on 24 October 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head “Share Option Scheme” in appendix IV to the Prospectus. Up to 30 September 2003, no option has been granted by the Company pursuant to such share option scheme.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SPONSOR’S INTERESTS

Pursuant to a sponsor 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 (and including) 31 March 2005.

As at 30 September 2003, none of Kingsway, its directors, employees nor associates had any shareholding interest in the securities of the Company or any member of the Group nor had 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 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors 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 business of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 2 members, namely Mr. Hu Tiejun and Professor Lu Ting Jie, both being independent non-executive Directors. The Group's unaudited interim results for the six months ended 30 September 2003 have been reviewed by the audit committee, which 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, 11 November 2003