



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)

Third 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.

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 nine months ended 31 December 2003 was HK\$27,701,000 representing a 35% increase from the corresponding period of last year.

Net loss attributable to shareholders amounted to approximately HK\$8,878,000 representing a 341% decrease from the corresponding period of last year.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 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 nine months ended 31 December 2003 together with the unaudited comparative figures for the corresponding period in 2002 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended 31 December		For the nine months ended 31 December	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	10,967	5,006	27,701	20,515
Cost of sales		(12,353)	(4,567)	(26,495)	(12,396)
Gross profit		(1,386)	439	1,206	8,119
Other revenue		701	91	1,876	259
Selling expenses		(450)	(578)	(1,259)	(1,386)
Administrative expenses		(3,906)	(1,408)	(10,494)	(3,205)
(Loss)/profit from operations		(5,041)	(1,456)	(8,671)	3,787
Finance costs		(5)	(6)	(93)	(16)
(Loss)/profit before taxation		(5,046)	(1,462)	(8,764)	3,771
Taxation	3	-	0	(114)	(94)
Minority interests		(21)	0	0	0
(Loss)/profit attributable to shareholders		(5,067)	(1,462)	(8,878)	3,678
Dividend	4	0	0	0	0
(Loss)/earnings per share	5				
– basic (in HK cents)		(0.8)	(0.2)	(1.4)	0.6
– diluted (in HK cents)		N/A	N/A	N/A	N/A

NOTES TO THE INCOME STATEMENT

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 condensed consolidated financial statements 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

No Hong Kong profits tax has been provided for the nine months ended 31 December 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 nine months ended 31 December 2003.

4. Dividend

The Board does not recommend an interim dividend for the nine months ended 31 December 2003 (2002: nil).

5. Loss/earnings per share

(a) *Basic loss/earnings per share*

The calculation of the basic loss per share for the three months ended 31 December 2003 is based on the Group's unaudited net loss attributable to shareholders of the Company for the three months ended 31 December 2003 of approximately HK\$5,067,000 (2002: net loss attributable to shareholders of the Company approximately HK\$1,462,000) and on the weighted average number of 655,339,000 shares (2002: 613,543,000 shares) in issue during the period.

The calculation of the basic loss per share for the nine months ended 31 December 2003 is based on the Group's unaudited net loss attributable to shareholders of the Company for the nine months ended 31 December 2003 of approximately HK\$8,878,000 (2002: net profit attributable to shareholders of the Company approximately HK\$3,678,000) and on the weighted average number of 651,786,000 shares (2002: 585,898,000 shares) in issue during the period.

(b) *Diluted loss/earnings per share*

For the three months and nine months ended 31 December 2003, no diluted loss per share is presented as the outstanding share options were anti-dilutive.

For the Last Corresponding Period, no diluted loss/earnings per share has been presented as the Company has no dilutive potential shares.

6. 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
			(note a)			(note b)		
As at 1 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 period	-	-	-	-	3,678	-	-	3,678
Transfer to statutory reserve fund	-	-	-	-	(268)	268	-	-
Dividend paid	-	-	-	-	-	-	(2,000)	(2,000)
As at 31 December 2002	<u>6,500</u>	<u>14,859</u>	<u>2,135</u>	<u>12</u>	<u>12,461</u>	<u>790</u>	<u>-</u>	<u>36,757</u>
As at 1 April 2003	6,500	14,859	2,135	12	10,792	820	-	35,118
Loss for the period	-	-	-	-	(8,878)	-	-	(8,878)
Exercise of share options	100	261	-	-	-	-	-	361
Transfer to statutory reserve fund	-	-	-	-	(152)	152	-	-
As at 31 December 2003	<u>6,600</u>	<u>15,120</u>	<u>2,135</u>	<u>12</u>	<u>1,762</u>	<u>972</u>	<u>-</u>	<u>26,601</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 above.
- (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.

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 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 reform of telecommunications system in the PRC continued to proceed, market condition changed from monopolized to controlled competition, and the form of competition changed from network resources to business model and services, with more services providers and agents entered the telecommunications market. The non-differentiated, general and monotonous services previously provided by telecommunications operators do not have competitive advantages anymore. The market is customer orientated, and with the development of the market, expectation from customers is increasing. This led to more choices with multifarious and unique characteristic services being offered in the market.

The PRC telecommunications market has a huge growth potential. To cope with it through customers satisfaction, the Group invested more resources in the research of how the market operates and what services being provided. During the period under review, the Group not only relied on its experience and had a successful track record management team, but also appointed a consulting team which has well strategic and vision in the industry for our business planning.

The Group's self-developed MAGPLUS-Telecom Hotel, aiming at all parties winning position business model through providing a flexible, detailed, orientated and unique characteristic business value chain, was highly recognised by backbone telecommunications operators, value-added services providers and agents, and the sales of existing software solutions recorded stable growth.

The Group's customers in Beijing, Guangdong, the eastern and north-eastern areas of the PRC continued to expand their network and presence. They kept choosing our products and software solutions in view of the creativity. The Group has captured new customers and made our customers earned good return through their operation and services using our products.

The PRC telecommunications market will further open up in the future, The Ministry of Information Industry of the PRC, has introduced accelerated telecommunications value-added businesses, for examples, provision of multi-party communication in the PRC in August 2003 and allowing telecommunications operators from Hong Kong to participate in value-added business area from October 2003. Many of the companies that got the licenses for value-added businesses are customers of the Group. The Group's creative products and high service quality have earned customers' recognition, and the "Global Link" brand name will further enhance in the PRC telecommunications market. This will broaden the Group's market and increase our business partners.

Financial review

For the nine months ended 31 December 2003, despite the increase in turnover by approximately 35% to HK\$27,701,000, the Group recorded a decrease in gross profit by 85% to HK\$1,206,000 as compared with the same period in 2002. Gross profit margin decreased from 40% to 4.4% which caused a net loss for the review period.

For the three months ended 31 December 2003, the Group recorded a gross loss as a result of more research and development being carried out in the quarter.

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 31 December 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)
Hu Zhi Jian	Company	Beneficial owner	84,660,000 ordinary shares Long position 8,889,000 ordinary shares Long position (Note)
Chau Siu Piu	Company	Beneficial owner	77,883,680 ordinary shares Long position 7,778,000 ordinary shares Long position (Note)
Li Guo Ping	Company	Beneficial owner	58,120,000 ordinary shares Long position 4,861,000 ordinary shares Long position (Note)

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities
Lin Jiang	Company	Beneficial owner	1,111,000 ordinary shares Long position
			1,111,000 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	416,500 ordinary shares Long position
			416,500 ordinary shares Long position (Note)

Note:

Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 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, Hu Zhi Jian, Chau Siu Piu, 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. On 13 November 2003, Lin Jiang and Lu Ting Jie have exercised 1,111,000 and 416,500 share options under the Pre-IPO Share Option Scheme respectively.

Save as disclosed above, as at 31 December 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 31 December 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	7.58%
Signify Island Limited	Beneficial owner	45,260,000 ordinary shares Long position (<i>Note</i>)	6.86%
Tang Yuk Luen	Interest of a controlled corporation	45,260,000 ordinary shares Long position (<i>Note</i>)	6.86%

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 31 December 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 31 December 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors 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 and chief executive 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 nine months ended 31 December 2003.

SPONSOR'S INTERESTS

Pursuant to a sponsorship agreement dated 31 October 2002 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.

As at 31 December 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 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 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 of the Company. The Group's unaudited results for the nine months ended 31 December 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, 11 February 2004