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Global Link

國 聯 通 信 控 股 有 限 公 司

**Global Link Communications Holdings Limited**

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

Stock Code: 8060

**First Quarterly Report 2004**

## **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.**

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*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 three months ended 30 June 2004 was HK\$8,253,000 representing a 10% decrease from the last corresponding period.

Net loss attributable to shareholders amounted to approximately HK\$1,028,000 representing a 237% decrease from the last corresponding period.

## UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2004

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2004 together with the unaudited comparative figures for the corresponding period in 2003 (“Last Corresponding Period”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	8,253	9,161
Cost of sales		<u>(6,394)</u>	<u>(7,333)</u>
Gross profit		1,859	1,828
Other revenue		452	1,052
Selling expenses		(1,017)	(282)
Administrative expenses		<u>(2,250)</u>	<u>(1,647)</u>
(Loss)/profit from operations		(956)	951
Finance costs		<u>(6)</u>	<u>(72)</u>
(Loss)/profit before taxation		(962)	879
Taxation	3	<u>(81)</u>	<u>(134)</u>
Minority interests		<u>15</u>	<u>5</u>
(Loss)/profit attributable to shareholders		<u>(1,028)</u>	<u>750</u>
Dividend	4	<u>0</u>	<u>0</u>
(Loss)/earnings per share	5		
– basic (in HK cents)		(0.16)	0.12
– diluted (in HK cents)		<u>-</u>	<u>0.11</u>

## NOTES TO THE INCOME STATEMENT

### 1. Background of the Company and basis of preparation

The Company was incorporated in the Cayman Islands on 9 May 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 13 November 2002.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable 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 also conform with the applicable disclosure requirements of GEM Listing Rule.

### 2. Turnover and revenue

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

### 3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the three months ended 30 June 2004 of the individual companies within the Group arising in Hong Kong. No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit for the three months ended 30 June 2004 (2003: HK\$22,000).

The PRC enterprise income tax (“EIT”) represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries of the Group. The PRC subsidiaries of the Group which are categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from EIT for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years. The first profit-making year was year 2001 and therefore there was EIT tax charge for the year 2003. EIT tax charge for the three months ended 30 June 2004 was HK\$81,000 (2003: HK\$112,000).

There was no significant unprovided deferred taxation for the three months ended 30 June 2004.

### 4. Dividend

The Board does not recommend an interim dividend for the three months ended 30 June 2004 (2003: Nil).

## 5. (Loss)/earnings per share

### (a) *Basic*

The calculation of the basic loss per share for the three months ended 30 June 2004 is based on the consolidated loss attributable to shareholders of approximately HK\$1,028,000 and on the weighted average of 660,024,500 shares of the Company in issue during the period.

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

### (b) *Diluted*

No diluted loss per share has been presented for the three months ended 30 June 2004 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

The calculation of diluted earnings per share for the three months ended 30 June 2003 is based on the profit attributable to shareholders of HK\$750,000 and the weighted average of 705,095,957 shares after adjusting for the effects of all dilutive potential shares, as if all the outstanding share options granted by the Company had been exercised at the date of issuance.

## 6. Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000 <i>(note a)</i>	Foreign exchange translation reserve (Unaudited) HK\$'000	Retained profits /(accumulated Losses) (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000 <i>(note b)</i>	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 1 April 2003	6,500	14,859	2,135	12	10,792	820	-	35,118
Profit for the period	-	-	-	-	750	-	-	750
Transfer to statutory reserve fund	-	-	-	-	(138)	138	-	-
As at 30 June 2003	<u>6,500</u>	<u>14,859</u>	<u>2,135</u>	<u>12</u>	<u>11,404</u>	<u>958</u>	<u>-</u>	<u>35,868</u>
As at 1 April 2004	6,600	15,120	2,135	12	(12,286)	820	-	12,401
Loss for the period	-	-	-	-	(1,028)	-	-	(1,028)
Transfer to statutory reserve fund	-	-	-	-	(42)	42	-	-
As at 30 June 2004	<u>6,600</u>	<u>15,120</u>	<u>2,135</u>	<u>12</u>	<u>(13,356)</u>	<u>862</u>	<u>-</u>	<u>11,373</u>

### Note:

- (a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from group reorganisation in 2002.
- (b) 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 (including backbone operators) in the PRC and in the other parts of the Asia-Pacific region.

The Group keeps the PRC as its core target market. Through competitive power from creative and unique characteristic solutions, the Group has fully utilized its expanding and well-equipped market selling system and has successfully captured backbone operators with district representation. The Group believes that following the mass entrance of "Global Link" products into the backbone operators' market, a deeper and wider cooperation with backbone operators will be the Group's expanding trend and growth opportunity.

Focusing on the new demand of the telecommunications market and following the MAGPlus Multi-services Platform, the Group launched Telecom Hotel – a new telecommunication operating model, which created a business value chained by operators with flexible construction, detailed and unique characteristics, which joins agents from all level to achieve a low cost and high efficiency market expansion, and become a key market strategy for operators to win in new competition environment. Global Link also developed creative products for telecommunications value-added services, including One Number, Conference Call, Multi-parties Communication, Color Music Background Call and Voice Portal.

Global Link's new operation model and software solutions were adopted by backbone operators and new telecommunication operators. The "Communications & Informations Weekly", a renowned post in the PRC's telecommunications industry, reported Global Link's series of new concept and creative operation model and software solutions, as well as the successful cases in cooperation with backbone operators on 17 May 2004 (World Telecom Day) and 23 June 2004. This made the "Global Link" brand name broadly recognised in the industry.

Looking into the future, the Group believes the new software solutions have great market opportunity. The Group will continue to develop its advantages and insist the "to increase customers' competitive advantage through creative products, to increase customers' earnings through unique characteristic solutions" strategy. The Group will improve the competition ability of Global Link's software solutions through the alliance with North America high-tech companies such as INTEL to establish strategic partner relationship. The Group

will also focus more on the market and product development. At the same time, the Group will further capture long term development opportunity through wide-ranging cooperation and sharing of advantageous resources with customers.

### **Financial review**

For the three months ended 30 June 2004, the Group recorded a turnover of approximately HK\$8,253,000, representing a decrease by approximately 10%, comparing with that of the last corresponding period. Gross profit of approximately HK\$1,859,000 was recorded, representing an increase by approximately 1.7%, comparing with that from the last corresponding period. Gross profit margin increased from approximately 20% in the last corresponding period to approximately 23%. Net loss was recorded in this quarter.

During the review period, the Group with its self-developed core technology has developed new software solutions and operation model and launched into the market, which caused the increase in gross profit margin as compared to that of the last corresponding period (and especially for the year ended 31 March 2004).

For long term development purposes, the Group has restructured its sales force and enhanced the function of its subsidiaries and offices. Increase in selling expenses was mainly resulted from resources invested in the development of the selling system. The increase in administrative expenses was mainly caused by increased provision for doubtful debt. Such increase is resulted from the strengthening of credit control policy as the Group holds prudent view on the future financial resources.



## DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 30 June 2004, 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 5.46 to 5.68 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	Approximate percentage of shareholdings
Ma Yuanguang	Company	Beneficial owner	170,530,000 ordinary shares Long position	25.84%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	
Hu Zhi Jian	Company	Beneficial owner	84,660,000 ordinary shares Long position (Note 2)	12.83%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	

<b>Name of Director</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
Chau Siu Piu	Company	Beneficial owner	77,883,680 ordinary shares Long position	11.80%
		Beneficial owner	7,778,000 ordinary shares Long position <i>(Note 1)</i>	
Li Guo Ping	Company	Beneficial owner	58,120,000 ordinary shares Long position	8.81%
		Beneficial owner	4,861,000 ordinary shares Long position <i>(Note 1)</i>	
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position <i>(Note 1)</i>	
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position <i>(Note 1)</i>	
Lu Ting Jie	Company	Beneficial owner	416,500 ordinary shares Long position	0.06%
		Beneficial owner	416,500 ordinary shares Long position <i>(Note 1)</i>	

*Note:*

1. Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 shares, 4,861,000 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, 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, Lu Ting Jie had exercised 416,500 share options under the Pre-IPO Share Option Scheme.
2. On 9 July 2004, Hu Zhi Jian transferred the 84,660,000 shares to Bright Cosmos Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially wholly-owned by Hu Zhi Jian.

Save as disclosed above, as at 30 June 2004, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 June 2004, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholdings</b>
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.58%

Save as disclosed above, as at 30 June 2004, 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 EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

Save as disclosed in this report, as at 30 June 2004, 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 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 2004.

## **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 30 June 2004, 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 shareholders 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 5.34 to 5.45 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 of the Company 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 2004 have been reviewed by the audit committee of the Company, 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 August 2004

*As at the date of this report, the executive Directors are Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Li Guo Ping and Mr. Chau Siu Piu; the non-executive Director is Mr. Wing Kee Eng, Lee; and the independent non-executive Directors are Mr. Hu Tiejun and Mr. Lu Ting Jie.*