



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)

(Stock Code: 8060)

Third 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.

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 2004 was HK\$25,749,000 representing a 7% decrease from the last corresponding period.

Net loss attributable to shareholders amounted to approximately HK\$2,342,000 representing a 74% improvement from the last corresponding period.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2004

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 2004 together with the unaudited comparative figures for the corresponding period in 2003 (“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	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	9,120	10,967	25,749	27,701
Cost of sales		(7,295)	(12,353)	(19,977)	(26,495)
Gross profit		1,825	(1,386)	5,772	1,206
Other revenue		1,084	701	2,794	1,876
Selling expenses		(595)	(450)	(2,501)	(1,259)
Administrative expenses		(2,947)	(3,906)	(8,378)	(10,494)
Loss from operations		(633)	(5,041)	(2,313)	(8,671)
Finance costs		(4)	(5)	(12)	(93)
Loss before taxation		(637)	(5,046)	(2,325)	(8,764)
Taxation	3	(65)	–	(35)	(114)
Minority interests		(13)	(21)	18	0
Loss attributable to shareholders		(715)	(5,067)	(2,342)	(8,878)
Dividend	4	0	0	0	0
Loss per share	5				
– basic (in HK cents)		(0.1)	(0.8)	(0.4)	(1.4)
– diluted (in HK cents)		N/A	N/A	N/A	N/A

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 Institute of Certified Public 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 nine months ended 31 December 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 nine months ended 31 December 2004 (2003: Nil).

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 nine months ended 31 December 2004 was HK\$35,000 (2003: HK\$114,000).

There was no significant unprovided deferred taxation for the nine months ended 31 December 2004 (2003: Nil).

4. Dividend

The Board does not recommend an interim dividend for the nine months ended 31 December 2004 (2003: Nil).

5. Loss per share

(a) *Basic loss per share*

The calculation of the basic loss per share for the three months ended 31 December 2004 is based on the consolidated loss attributable to shareholders of approximately HK\$715,000 (2003: approximately HK\$5,067,000) and on the weighted average number of 660,024,500 shares (2003: 655,339,000 shares) of the Company in issue during the period.

The calculation of the basic loss per share for the nine months ended 31 December 2004 is based on the consolidated loss attributable to shareholders of approximately HK\$2,342,000 (2003: approximately HK\$8,878,000) and on the weighted average number of 660,024,500 shares (2003: 651,786,000 shares) of the Company in issue during the period.

(b) *Diluted loss per share*

No diluted loss per share has been presented for the three months and nine months ended 31 December 2004 and 2003 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

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>	Total (Unaudited) HK\$'000
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>26,601</u>
As at 1 April 2004	6,600	15,120	2,135	12	(12,286)	820	12,401
Loss for the period	-	-	-	-	(2,342)	-	(2,342)
Transfer to statutory reserve fund	-	-	-	-	(43)	43	-
As at 31 December 2004	<u>6,600</u>	<u>15,120</u>	<u>2,135</u>	<u>12</u>	<u>(14,671)</u>	<u>863</u>	<u>10,059</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 People's Republic of China (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 principally focused 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 and class two operators) in the PRC and in the other parts of the Asia-Pacific region.

The influence of the Group's products and solutions in the Asia-Pacific region and the PRC telecommunications industry has expanded continuously, which is resulted from precise brand name positioning, competitive business model and content as well as strong project services and support. During the period under review, the Group not only completed several famous network construction for class two operators, but also entered into contracts with China Netcom, China Railcom, China Mobile and overseas telecommunications customers from Pakistan, Japan and Brunei for telecommunications value-added services.

During the period under review, the Group has kept its research and development on new products, and through introduction of technology from hi-tech company in North America, completed the development of CCS640 series switches platform. The CCS640 series has advantages in capacity, function, expansiveness and price as compared to products in the industry. The CCS640 series has been adopted by several telecommunications value-added services projects recently and has great prospect in the market development.

The market demand for the PRC telecommunications products is huge as the PRC economy continues to grow, and because of the prospect of the construction of the PRC government's information system, investment from enterprises information security project and the growth of telecommunications broadband business. With its advantage in resources, the Group responded quickly in adjusting marketing and alliance strategy to capture greater market segment, has achieved satisfactory result.

Looking into the future, Global Link devotes to provide innovative and competitive products and high quality services to its customers. To create more win-win position, the Group targets to capture greater market segment and will provide resources restructuring to existing customers. The Group believes that through the development of relative market segment, its products and services will capture greater market segment and achieve a better return for its business.

Financial review

Turnover was HK\$25,749,000 for the nine months ended 31 December 2004, representing a decrease by approximately 7%, comparing with that of the last corresponding period. However, the Group has recorded HK\$5,772,000 gross profit, represent a 379% increase compared with that of last corresponding period. Gross profit margin increased from 4.4% to 22% which improved the loss attributable to shareholders to HK\$2,342,000.

In view of the industry nature and the Group's development strategy, the Group has to keep investing resources in research and development of the telecommunications. However, the Group's gross profit has increased following the launching of new products. The Directors believed that, by adopting the continuous product development strategy, the new products and software solutions to be developed in the near future can capture more market share and the development of new market segment will bring a remarkable return for the Group.

During the period under review, the Group has strengthened its marketing and sales force, which caused the increase in selling expenses. As a result of strengthened credit control policy, the status of accounts receivable has improved, which led to the decrease in bad debt provision and administrative expenses. The increase in other revenue is caused by the written back of bad debts provision.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 31 December 2004, so far is known to the Directors, 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)	1.57%
Hu Zhi Jian	Company	Interest of controlled corporation	84,660,000 ordinary shares Long position (Note 2)	12.83%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.33%
Chau Siu Piu	Company	Beneficial owner	77,883,680 ordinary shares Long position	11.80%
		Beneficial owner	7,778,000 ordinary shares Long position (Note 1)	1.16%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Li Guo Ping	Company	Interest of controlled corporation	58,120,000 ordinary shares Long position (Note 3)	8.81%
		Beneficial owner	4,861,000 ordinary shares Long position (Note 1)	0.73%
Lo Kam Hon, Gary	Company	Beneficial owner	350,000 ordinary shares Long position (Note 1)	0.05%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note 1)	0.42%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (Note 1)	0.13%
Lu Ting Jie	Company	Beneficial owner	416,500 ordinary shares Long position	0.06%
		Beneficial owner	416,500 ordinary shares Long position (Note 1)	0.06%

Note:

- 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.

On 10 December 2003, share options to subscribe for 350,000 shares of the Company were granted to Lo Kam Hon, Gary pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 24 October 2002.

2. Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 84,660,000 ordinary shares of the Company.
3. Top Legend Investment Limited, the entire issued share capital of which is held by Li Guo Ping, is interested in the 58,120,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2004, so far is known to the Directors, 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 31 December 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:

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

Save as disclosed above, as at 31 December 2004, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) 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 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 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 2004.

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. The Company agreed to pay an advisory fee to Kingsway for its provision of such services.

As at 31 December 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 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 18.75 of the GEM Listing Rules.

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 5.34 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 has 3 members, namely Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited results for the nine months ended 31 December 2004 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, 2 February 2005

As at the date of this report, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Li Guo Ping, Mr. Chau Siu Piu and Mr. Lo Kam Hon, Gary; the non-executive director of the Company is Mr. Wing Kee Eng, Lee; and the independent non-executive directors of the Company are Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung.