



2004/05

年報 ANNUAL REPORT

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 announcements 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 document, 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 document. This document, 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
12	Biographical Details of Directors and Senior Management
14	Report of the Directors
23	Auditors' Report
25	Consolidated Income Statement
26	Consolidated Balance Sheet
27	Balance Sheet
28	Consolidated Statement of Changes in Equity
29	Consolidated Cash Flow Statement
30	Notes to the Financial Statements

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ma Yuanguang (*Chairman*)
 Hu Zhi Jian
 Li Guo Ping
 Chau Siu Piu
 Lo Kam Hon, Gary
 (appointed on 23 September 2004)

NON-EXECUTIVE DIRECTOR

Wing Kee Eng, Lee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Tiejun
 Lu Ting Jie
 Leung Kwok Keung
 (appointed on 23 September 2004)

AUTHORIZED REPRESENTATIVES

Chau Siu Piu
 Lo Kam Hon, Gary ACCA, CPA

COMPLIANCE OFFICER

Ma Yuanguang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lo Kam Hon, Gary ACCA, CPA

AUDIT COMMITTEE

Hu Tiejun
 Lu Ting Jie
 Leung Kwok Keung ACCA, CPA

REGISTERED OFFICE

Century Yard, Cricket Square,
 Hutchins Drive, P.O.Box 2681 GT,
 George Town, Grand Cayman,
 Cayman Islands, British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2102, Manley Commercial Building
 367-375 Queen's Road Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit on 6th Floor, Ke Xun Building
 No. 60 Jian Zhong Road, Zhong Shan Da Dao
 Guangzhou City, Guangdong Province, PRC

PRINCIPAL BANKERS

China Construction Bank
 Guangzhou Gong Ye Yuan Sub-branch
 China Minsheng Banking Corp. Ltd.
 Ti Yu Xi Sub-branch
 Chiyu Banking Corporation Limited
 Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Bank of Butterfield International (Cayman) Ltd.
 Butterfield House
 68 Fort Street, P.O. BOX 705
 George Town
 Grand Cayman
 Cayman Islands
 British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor
 Services Limited
 Shops 1712-1716
 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Hong Kong

SPONSOR

Kingsway Capital Limited
 5th Floor, Hutchison House
 10 Harcourt Road, Central
 Hong Kong

AUDITORS

RSM Nelson Wheeler
 Certified Public Accountants
 7th Floor, Allied Kajima Building
 138 Gloucester Road
 Hong Kong

STOCK CODE

8060

CORPORATE WEBSITE

www.glink.com.cn

CHAIRMAN'S STATEMENT

I represent the board of directors (the "Directors") of Global Link Communications Holdings Ltd ("the Company"), to present the audited financial statements of the Company and its subsidiaries ("Global Link" or "the Group") for the year ended 31 March 2005 for shareholders' review.

During the year, the Group has kept its strategy, "to increase customers' competitive advantage through creative products, to give impetus to customers' earnings growth through unique characteristic solution". The Group's operation strategy is to focus on the market of the People's Republic of China (the "PRC") and to insist in strengthening its business through continuous creativity, which has developed the Group's business in a steady way. The Group's turnover for the year was approximately HK\$30,107,000, represent a 17% decrease from last year.

The Group's gross profit for the year was approximately HK\$6,289,000, gross profit margin was 21%, represent a 64% increase from last year. With investment in research and development and following new products launched into the market, has increased the Group's market share and competitive advantage and caused the increase in gross profit.

Loss attributable to shareholders amounted to approximately HK\$8,699,000. The delay in settlement of receivables is mainly caused by the PRC's strengthened macroeconomic control and enterprises losses capital expenditure in view of severe competition in the telecommunication operation market. The Group's recorded loss for the year under review was mainly resulted from increase in bad debt provision as a result of strengthened credit control policy.

The board of Directors does not recommend any final dividends as approximately HK cents 1.32 loss per share is recorded for the year under review.

During the year, the PRC economy was still at high growth period, whereas construction of information projects from government organisation and large enterprises has increased. Competition among telecommunication operators has made creative products and its application get more market opportunity. The Group has focused for years on business model, research and development on unique characteristic application and investment in market planning. Together with the increased customer base and Global Link brand name, the Group's future product and software solution will still play a key role in the information communication industry.

During the year, to deal with the competitive characteristics of the telecommunication market and the planning of the PRC's information infrastructure, Global Link persisted its operating strategy on creative management, products and services, which had enhanced the Global Link brand name in the industry. This did not only hold the existing customers, but also developed new market opportunity. The Telecom Hotel operation model, a new model developed by Global Link in the telecommunication industry, is now being more accepted and adopted by industry players. Mature, reliable and management functions of the software are sharp as compare to those of competitors, and this is at an advantageous position in market competition.

In the reporting period, the Group persisted in bringing in and absorbing high-tech from North America. The Group has completed the development of CCS640 services exchange platform. This series product was widely adopted by the PRC backbone telecommunication operators and telecommunication operators in the Asia Pacific region. The CCS640 series' powerful capacity, function and flexibility in expansion have great competitive advantages in the same category, which established a comparing base for the function and price of the Group's future market development.

CHAIRMAN'S STATEMENT

With years of investment in research and development and accumulated technology, Global Link has patent right on the powerful function MAGPlus-Tserver software platform. By using this platform as the core base, the Group has developed new product categories and services which now covering industries including electricity, transportation and construction of government information infrastructure.

During the reporting period, the Group had started the cooperation of telecommunication operation in certain cities with the PRC backbone telecommunication operators and overseas telecommunication operators by using self developed software platform. The Group had successfully bid the multi media view channel control system for a few hundred sections of the PRC new underground railway project. This new creative solution will bring remarkable economic benefit and brand impact to the Group.

Viewing into the future, the Group believes, through focusing on the continuous creativity and maximising its advantages, Global Link will have more competitive, product coverage which will become more boarden, and shareholders will get better return.

I would like to express my sincere gratitude to the Directors, senior management and employees for their contribution and to our shareholders, customers and allied parties for their full support.

Ma Yuanguang

Chairman

Hong Kong, 22 June 2005

Global Link is a creator in communication message software. It principally engaged in the research and development and provision of telecommunications software solutions for new telecommunications services and value-added telecommunications services. The Group also carries out creative software development for enterprises and government's construction of information infrastructure as well as provides other communication network solutions in the PRC and in other parts of the Asia-Pacific region.

MARKET OVERVIEW

Following the implementation of macroeconomic control by the PRC government and in the late transitional period of WTO, competition in the PRC telecommunication industry became more severe. Telecommunication operators place more emphasis on planning business model, creative content, differentiation with unique characteristic services to build up its brand advantage. With the reform of the PRC government structure and function, construction of information project will brief a high market opportunity for communication information software.

BUSINESS REVIEW

During the period, due to severe competition, the PRC telecommunication backbone operators, value-added services agent and telecommunications services providers in the Asia-Pacific region became more allied with solution providers. They request for system platform with more unique characteristics, differentiate flexible and fast, together with creative content. Global Link, through its focus and profession in that area for years, has expended its product category.

The Group's turnover for the year was approximately HK\$30,107,000, representing 17% decrease from that of last year. Gross profit amounted to approximately HK\$6,289,000, gross profit margin was 21%, representing a 64% increase in gross profit from that of last year. Loss attributable to shareholders amounted to approximately HK\$8,699,000.

TURNOVER BY REGION

During the year, the Group's target market is the PRC. With Guangzhou Global Link Communications Inc. ("GZGL") as the base, through Beijing branch, Shanghai and Chengdu offices, the Group has built up a sales network covering all directions. The Group's target customers are telecommunications backbone operators and value-added services agents. Turnover recognised in the PRC amounted to approximately HK\$19,620,000, representing 65% of the Group's turnover for the year.

The Group's products have absolute advantage on function and price, and its creative business is close to the market demand. The Group has got confidence from telecommunications operators and services providers in the Asia-Pacific region. The Group's turnover recognised in Hong Kong and overseas market amounted to approximately HK\$10,487,000, representing 35% of the Group's turnover for the year.

CUSTOMER ANALYSIS

In the year, the Group's customers are mainly backbone telecommunication operators, small to medium vertical telecommunications operators and value-added services providers, including China Mobile, China Unicom, China Telecom, China Netcom and China Railcom. The Group's products have also been presented to big size enterprises' call centre, electricity and transportation industries.

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCT DEVELOPMENT AND CREATIVE TECHNOLOGY

The Group, through high investment in research and development for years, has developed the patent right core software platform – MAGPLUS-TSERVER. And by using this software platform as the engine, the Group has developed and launched new products, business and solutions into the market.

- (1) Though focusing on research and development, and based on introducing North America high-tech companies, the Group has developed CCS640 series exchange platform. This product series have great advantage over the same category in the industry in terms of capacity, function, expansibility and price; and the product has been launched into the market.
- (2) The value-added telecommunications platform – MAGPLUS, with its creative model and unique characteristics of business content, has rendered certain backbone operators to enter into the market quickly with competitive advantages. This solution has won a prize in the “Hundred Successful Solutions for the year 2004” awarded by the PRC authority in telecommunications industry – “Communication World”.
- (3) The multi media view channel control system, a high-tech and adaptable to multi message port for trains, is a creative technology for railway transportation in the PRC, will be adopted for several hundred sections of underground railway in the PRC core cities.

WIDE-RANGING ALLIANCE

Global Link persist the “wide-ranging alliance, mutual development” enterprise objective, and will keep the cooperation with North America high-tech companies and operators. The Group will keep on gathering its resources advantages, widening alliance target and scope to strength its consolidation and will ensure the continuous business development.

CAPITAL STRUCTURE

The Group has capitalised HK\$21 million through listing on the GEM Board on 13 November 2002. There has been no material 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 of the Company dated 31 October 2002 (the “Prospectus”) or identified by the Directors during the normal course of business. As at 31 March 2005, the Group has a total cash and bank balance amounted to approximately HK\$4,369,000, which mainly generated from initial market capitalisation and daily operation.

BUSINESS OUTLOOK

The PRC telecommunications information market is expected to keep in high growth. The Group’s management believes that, enterprise operation through strengthened creative management, products and services as well as long term focus in the industry, Global Link will keep developing in the telecommunications industry and, can get more market segment in electricity, transportation and construction of government information projects.

LIQUIDITY AND FINANCIAL RESOURCES

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 31 March 2005, the Group had net current assets of approximately HK\$1,942,000 (2004: approximately HK\$10,194,000), of which approximately HK\$4,369,000 (2004: approximately HK\$8,423,000) 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.

CHARGES ON THE GROUP'S ASSETS

The Group had no charges on its assets for the year under review.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

GEARING RATIO

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

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions and assets of the Group were denominated in Renminbi. Based on the past records, the exchange rate of Renminbi and Hong Kong Dollar will remain relatively stable in the foreseeable future. Accordingly, the Directors do not consider that the Group was significantly exposed to foreign exchange risk and therefore it is not necessary to implement any hedging policy for the Group.

SEGMENT REVENUE

The Group's segment revenue is primary based on the geographical locations of customers. However, for those customers who are located in areas where the Group do not have assets or liabilities were treated as revenue arising in Hong Kong for presentation purpose.

CONTINGENT LIABILITIES

At 31 March 2005, banking facilities amounting to HK\$2,500,000 (2004: HK\$2,500,000) granted by a bank to a wholly owned subsidiary were guaranteed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND SALARIES POLICY

As at 31 March 2005, the Group has 62 staff (2004: 78 staff), with 52 and 10 staff are employed in the PRC and Hong Kong respectively.

	At 31 March 2005	At 31 March 2004
	Number of staff	Number of staff
Management, finance and administration	17	21
Research and development	24	37
Marketing and sales	21	20
Total	62	78

The total staff costs, including Directors' emoluments, amounted to approximately HK\$5,366,000 (2004: approximately HK\$4,703,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including share option scheme, Mandatory Provident Fund Scheme, social insurance and accident insurance for frequent travel staff.

USE OF PROCEEDS

	Amount to be used for the year ended 31 March 2005 as stated in the Prospectus (HK\$ million)	Actual amount used up to 31 March 2005 (HK\$ million)
Enhancement of existing solutions and services	1.2	1.2
Enhancement of research and development capabilities on new solutions and services	0.8	0.8
Establishment of business partnerships and co-operation with universities and research institutes	0	0
Market expansion and business development	2.0	2.0
Acquisitions of hi-tech projects, strategic investments and as general working capital	2.0	2.0
Total	6.0	6.0

The unused proceeds are deposited in bank as short term deposits. The Directors believed that the net proceeds capitalised are sufficient to serve the future business plans stated in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between actual business progress and business objectives stated in the Prospectus (From 1 April 2004 to 31 March 2005):

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
--	--

Business Development

- | | |
|--|--|
| <ul style="list-style-type: none">▪ Establish one to two more subsidiaries in selected regions of the PRC which are experiencing the fastest growth in telecommunications operation. | <ul style="list-style-type: none">▪ Plan postponed as the PRC telecommunications market not yet fully open, and the development of small and medium operators is slower than expected. |
| <ul style="list-style-type: none">▪ Enter into agency agreements in the Asia-Pacific region, including Singapore, Australia and Taiwan. | <ul style="list-style-type: none">▪ Signed an agency agreement with a Singapore company. |
| <ul style="list-style-type: none">▪ Establish business partnerships with renowned global telecommunications equipment suppliers and operators. | <ul style="list-style-type: none">▪ Establish business partnerships with "Salira Optical network Systems Inc.", a high-tech network product manufacturer in USA, for their product selling and service in the PRC. |
| <ul style="list-style-type: none">▪ Develop next generation network business application. | <ul style="list-style-type: none">▪ Marketing campaign started. |

Research and Development

- | | |
|--|--|
| <ul style="list-style-type: none">▪ Continue to research and develop next generation switching and network application system software. | <ul style="list-style-type: none">▪ In progress, software in development as planned. |
| <ul style="list-style-type: none">▪ Research and develop management software that is capable to adapt to the new technology standard and new operations of the telecommunications operators. | <ul style="list-style-type: none">▪ Development completed, launched into market for sales. |
| <ul style="list-style-type: none">▪ Research and develop next generation network value-added business application system software. | <ul style="list-style-type: none">▪ In progress, software in development as planned. |
| <ul style="list-style-type: none">▪ Continue to research and develop the operation support system software that is adaptable to the next generation network. | <ul style="list-style-type: none">▪ In progress, software in development as planned. |

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
<i>Solutions and Services</i>	
<ul style="list-style-type: none"> ▪ Launch VoIP switching system and application software. 	<ul style="list-style-type: none"> ▪ Marketing campaign started.
<ul style="list-style-type: none"> ▪ Launch new value-added telecommunications services solutions. 	<ul style="list-style-type: none"> ▪ Marketing campaign started.
<ul style="list-style-type: none"> ▪ Launch next generation switching and network application system software. 	<ul style="list-style-type: none"> ▪ Marketing campaign started.
<i>Sales and Marketing</i>	
<ul style="list-style-type: none"> ▪ Consolidate businesses in the Asia-Pacific region, including Singapore, Malaysia, Pakistan, Australia, Hong Kong and Taiwan. 	<ul style="list-style-type: none"> ▪ In progress as planned and target achieved.
<ul style="list-style-type: none"> ▪ Expand the sales of the Group's solutions and services in the Asia-Pacific region, including Vietnam, Thailand and Indonesia. 	<ul style="list-style-type: none"> ▪ Have developed sales in that region, including Brunei and People's Republic of Bangladesh.
<ul style="list-style-type: none"> ▪ Increase the efforts in expanding the PRC businesses, targeting on the telecommunications operators in the PRC, especially the virtual operators. 	<ul style="list-style-type: none"> ▪ Marketing campaign completed as scheduled.
<ul style="list-style-type: none"> ▪ Promote the new value-added telecommunications services solutions, the VoIP switching system and application software. 	<ul style="list-style-type: none"> ▪ Marketing campaign started.
<ul style="list-style-type: none"> ▪ Promote the Group's next generation network solution plan to the telecommunications operators in the PRC, especially the virtual operations. 	<ul style="list-style-type: none"> ▪ Marketing campaign started.
<ul style="list-style-type: none"> ▪ Establish Global Link into a widely-recognized brand name by providing comprehensive business services including business consultancy, cost-effective upgrading service, better after-sale, maintenance and customer services and etc. 	<ul style="list-style-type: none"> ▪ Resulting from the increase in market share and successful cases, the Group has increased the reputation of "Global Link" brand name. In the nation-wide comment carried out by "Communication World", an authoritative organisation in the PRC telecommunications industry, the Group has been classified as "PRC Telecommunications Industry 100 successful software solutions in year 2004".

Business objectives as stated in the Prospectus	Actual business progress/change in business objectives (if any)
<ul style="list-style-type: none">Promote the Group's VoIP products, next generation switching and network application system software in the major international markets, including U.S., Canada, Singapore, Malaysia, Pakistan, Australia, Vietnam, Hong Kong and Taiwan.	<ul style="list-style-type: none">Marketing campaign started.
<ul style="list-style-type: none">Expand the sales network in the PRC to satisfy the demand of customers in various regions of the PRC, including Shenyang (瀋陽), Jinan (濟南), Zhengzhou (鄭州) and Kunming (昆明).	<ul style="list-style-type: none">Expanded business to northern and other various regions of the PRC, such as Liaoning province through enhanced market promotion.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ma Yuanguang (馬遠光), aged 51, is the co-founder and president of the Group and is also the chairman of the board of Directors. Mr. Ma is responsible for the overall strategic planning and management of the Group. Mr. Ma has over twenty-eight years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in North America, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC.

Mr. Hu Zhi Jian (胡志堅) aged 41, is the vice president of the Group and a founding staff of the Group. Mr. Hu is responsible for overseeing the research and development and production of the Group. Mr. Hu has engaged in the research and development of communication technologies for more than ten years. Prior to joining the Group, he was the manager of research and development department of various companies and the introduction of technologies. Mr. Hu received a degree from the Automation Department (自動控制系) of the Huazhong University of Science and Technology (華中工學院).

Mr. Li Guo Ping (李國平), aged 42, is responsible for the marketing planning, sales management and the distribution of the Group's solutions. Mr. Li joined the Group in March 2000. Mr. Li has over ten years working experience in marketing and has established extensive network in the PRC. Mr. Li received his degree from the Physics Department of the Chengdu University of Electronic Science and technology of China (成都電子科技大學).

Mr. Chau Siu Piu (巢笑飆), aged 37, is the co-founder of the Group. Mr. Chau is responsible for the general administration and business development of the Group and participated in the management and daily operation of the Group. Mr. Chau received his degree from the Economics Department of Zhongshan (Sun Yat-sen) University (中山大學).

Mr. Lo Kam Hon, Gary (勞錦漢), aged 41, is also the Group's company secretary. Mr. Lo. is a qualified accountant, responsible for the Group's financial and cash flow management and budget control. Mr. Lo is a member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lo joined the Group in February 2003 and have more than fifteen years' experience in finance, accounting and treasury.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Wing Kee Eng, Lee, aged 52. Mr. Lee joined the Group in May 2002. Mr. Lee has over 20 years of experience in the telecommunications industry. Mr. Lee pursued his career with Harris Corporation where he had been a visiting engineer, senior engineer and the head of sales of the Pan Asia Pacific region. Mr. Lee has also been the vice president of the marketing department of one telecom operator in the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Tiejun (胡鉄君), aged 54. Mr. Hu joined the Group in November 2002. Mr. Hu holds a Bachelor Degree in Physics from the Zhongshan (Sun Yat-sen) University (中山大學) and has over twenty years' experience in telecommunications, computer systems, data warehouse and information network. Mr. Hu was an alternate director of China Motion Telecom International Limited, a listed company in Hong Kong, of which he resigned on 1 April 2005.

Professor Lu Ting Jie (呂廷杰), aged 50. Professor Lu joined the Group in November 2002. Professor Lu graduated from the Beijing University of Posts and Telecommunications (北京郵電學院) with a Master's degree, and obtained a Doctorate degree from Japan's Kyoto University (京都大學). Professor Lu is a tutor for doctorate students at the graduate school of Beijing University of Posts and Telecommunications. He had contributed a number of thesis and articles in the area of economics, communications and telecommunications.

Mr. Leung Kwok Keung, (梁覺強), aged 42, is the financial controller of a listed company in the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. Mr. Leung graduated from City University of Hong Kong majoring in accountancy. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Leung has more than 15 years' experience in finance, accounting and treasury.

SENIOR MANAGEMENT

Mr. Li Guo Hui (李國輝), aged 49, the assistant to general manager of Guangzhou Global Link Communications Inc. since April 1999, is accountable for the system manufacturing, project implementation, after-sales technical services and the quality control of the Group. Mr. Li Guo Hui has over twenty years' working experience in the telecommunications industry particularly in the quality control and manufacturing management process.

Mr. Zhang Wei Jing (張維敬), aged 37, joined Guangzhou Global Link Communications Inc. in July 2000 and is the deputy marketing controller. Mr. Zhang Wei Jing has near ten years' working experience in the marketing and sales in the telecommunications industry.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005.

RESERVES

The movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 25 to the financial statements respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2005, the Company recorded a negative amount for its reserves amounted to approximately HK\$2,898,000 (2004: positive reserves approximately HK\$5,766,000) and therefore did not have reserves available for distribution to shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

Financial Highlights

	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	30,107	36,473	33,116	34,634	21,483
Gross Profit	6,289	3,832	10,193	14,368	4,424
(Loss)/profit before Taxation	(8,684)	(23,096)	2,291	11,010	1,974
(Loss)/profit attributable to shareholders	(8,699)	(23,078)	2,039	10,072	1,618
Total Assets	14,812	23,213	45,363	21,704	11,596
Total Liabilities	11,108	10,783	(10,245)	(10,041)	(8,920)
Minority Interests	2	29	–	–	(1,085)
Net Assets	3,702	12,401	35,118	11,663	1,591

Note: The Financial Summary of the Group for the years ended 31 March 2002 and 2001 have been extracted from the Company's Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases		
– the largest supplier		18%
– five largest suppliers combined		45%
Sales		
– the largest customer		15%
– five largest customers combined		45%

None of the Directors, any of their associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Ma Yuanguang

Mr. Hu Zhi Jian

Mr. Li Guo Ping

Mr. Chau Siu Piu

Mr. Lo Kam Hon, Gary (appointed on 23 September 2004)

Non-executive Director

Mr. Wing Kee Eng, Lee

Independent non-executive Directors

Mr. Hu Tiejun

Professor Lu Ting Jie

Mr. Leung Kwok Keung (appointed on 23 September 2004)

In accordance with the articles of association of the Company, Mr. Lo Kam Hon, Gary and Mr. Leung Kwok Keung, being the Directors newly appointed, will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. In addition to that, Mr. Hu Tiejun and Mr. Lu Ting Jie will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Directors confirm that it has received from each of its independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the income statement for the year are set out in note 13 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Yuanguang, Mr. Hu Zhi Jian, Mr. Li Guo Ping and Mr. Chan Siu Piu has entered into a renewed service contract with the Company for a term of two years commencing from 1 November 2004. Mr. Lo Kam Hon, Gary has entered into a service contract with the Company for a term of two years commencing from 23 September 2004. All such service contracts may be terminated by either party thereto giving to the other not less than three months' prior written notice.

Each of Mr. Wing Kee Eng, Lee, Mr. Hu Tiejun and Mr. Lu Ting Jie has been appointed for a term of two years commencing from 1 November 2004 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2004. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and of the five highest paid employees of the Group are set out in note 12 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 12 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2005, 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 provisions 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	165,217,600 ordinary shares Long position	25.03%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	1.57%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	12.02%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.33%
Li Guo Ping	Company	Interest of controlled corporation	68,744,800 ordinary shares Long position (Note3)	10.42%
		Beneficial owner	4,861,000 ordinary shares Long position (Note 1)	0.73%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Chau Siu Piu	Company	Beneficial owner	67,898,960 ordinary shares Long position	10.29%
		Beneficial owner	7,778,000 ordinary shares Long position (Note 1)	1.16%
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.
- Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.
- Top Legend Investment Limited, the entire issued share capital of which is held by Li Guo Ping, is interested in the 68,744,800 ordinary shares of the Company.

Save as disclosed above, as at 31 March 2005, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, 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 shareholding
Leung Kin Man	Beneficial owner	50,000,000 ordinary shares Long position	7.58%

Save as disclosed above, as at 31 March 2005, 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.

SHARE OPTION SCHEMES

Pursuant to the Pre-IPO Share Option Scheme, 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 grant	Number of share options granted	Outstanding as at 1 April 2004	Number of share options under the Pre-IPO Share Option Scheme		
				Lapsed during the year under review	Exercised during the year under review	Outstanding as at 31 March 2005
<i>Executive Directors</i>						
Ma Yuanguang	24 October 2002	10,556,000	10,556,000	-	-	10,556,000
Hu Zhi Jian	24 October 2002	8,889,000	8,889,000	-	-	8,889,000
Chau Siu Piu	24 October 2002	7,778,000	7,778,000	-	-	7,778,000
Li Guo Ping	24 October 2002	4,861,000	4,861,000	-	-	4,861,000
<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	416,500	-	-	416,500
<i>Senior Management</i>						
Li Guo Hui	24 October 2002	611,000	305,500	-	-	305,500
Zhang Wei Jing	24 October 2002	500,000	250,000	-	-	250,000
Advisers/consultants	24 October 2002	9,054,000	4,735,500	-	-	4,735,500
Other employees of the Group	24 October 2002	11,078,000	5,317,500	1,194,000	-	4,123,500
Total		57,771,000	46,720,000	1,194,000	-	45,526,000

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain Directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of shares of the Company on the GEM board. Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 50% of the shares so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, and (ii) the remaining 50% of the options granted to him/her (rounded down to the nearest whole number) at any time after 24 months from the Listing Date, and in each case, not later than 10 years from the date of the grant of the options.

As at the date of this report, there are 45,526,000 outstanding share options granted under the Pre-IPO Share Option Scheme representing approximately 6.9% of the issued share capital of the Company if the said share options are exercised in full.

Under the terms of the share option scheme (the "Share Option Scheme") adopted by the Company on 24 October 2002, the Directors may at their discretion grant options to participants to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group. The total number of shares of the Company issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period, subject to any performance target specified by the Directors, commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of Directors which shall not be more than 10 years from the date on which the option is deemed to be granted and accepted. A consideration of HK\$1 will be payable upon acceptance of the offer. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. The subscription price should, subject to the adjustment as stated on the Share Option Scheme, be a price determined by the Directors and should be at least the highest of (i) the nominal value of a Share; (ii) the closing price per Share as stated on the daily quotation sheets revised by the Stock Exchange on the offer date, which should be a business day; or (iii) the average closing price of the shares as stated in the daily quotation sheets revised by the Stock Exchange for the five-business days immediately preceding the offer date.

Details of movements during the year in the Company's share options pursuant to the Share Option Scheme are as follows:

Capacity	Date of grant	Number of share options granted	Number of share options under Share Option Scheme			Outstanding as at 31 March 2005	Exercise price
			Outstanding as at 1 April 2004	Lapsed during the period under review	Exercised during the period under review		
<i>Executive Directors</i>							
Lo Kam Hon, Gary (appointed on 23 September 2004)	10 December 2003	350,000	350,000	-	-	350,000	HK\$0.132
Employees	10 December 2003	6,160,000	5,880,000	1,500,000	-	4,380,000	HK\$0.132
	Total	6,510,000	6,230,000	1,500,000	-	4,730,000	

The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.120.

Each of the grantees to whom options have been conditionally granted under the Share Option Scheme will be entitled to exercise: (i) 50% of the options granted to each grantee (rounded down to the nearest whole number) after 9 December 2004; and (ii) the remaining 50% of the option granted to each grantee (rounded down to the nearest whole number) after 9 December 2005; and in each case, not later than 10 years from the date of grant of the options.

The Directors consider that disclosure of value of options granted during the year is not appropriate because in the absence of a readily available market value of the options on the Company's shares, they are unable to arrive at an accurate assessment of the value of the options granted.

As at the date of this report, 4,730,000 shares of the Company are available for issue under the Share Option Scheme, representing 0.72% of the issued share capital of the Company if the said share options are exercised in full.

REPORT OF THE DIRECTORS

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus and note 24 to the financial statements.

COMPETING INTERESTS

Save as disclosed in the Prospectus the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which may such person has or may have with the Group as at 31 March 2005.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 31 October 2002 entered into between the Company and Kingsway Capital Limited (the "Sponsor"), the Sponsor has received and will receive fees for acting as the Company's retained sponsor for the period up to 31 March 2005.

As at 31 March 2005, neither the Sponsor nor its directors, employees or their respective associates (as referred to in the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such shares, pursuant to the GEM Listing Rules.

MANAGEMENT CONTRACTS

Pursuant to a financial advice service agreement dated 5 November 2002 entered into between the Company and First Asia Finance Group Limited, the Company agreed to pay HK\$4,000,000 to First Asia Finance Group Limited for the financial advice services provided by First Asia Finance Group Limited to the Group for a period of twenty-eight months. This cost of services will be allocated to the profit and loss account in accordance with the duration of the agreement.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions in terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year under review. Having made specific enquiry of all Directors, the Directors confirm that they have complied with such code of conduct and required standard of dealings throughout the year under review.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Committee comprises three independent non-executive directors, Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung. Mr. Hu Tiejun is the chairman of the audit committee. Four meetings were held during the financial year under review, including review of the audited consolidated financial statements for the year ended 31 March 2005 of the Group.

AUDITORS

The financial statements have been audited by RSM Nelson Wheeler who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Yuanguang

Chairman

Hong Kong, 22 June 2005

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation made by the Directors. The financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flow operations to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from a failure to attain profitable and positive cash flow operations. Details of the circumstances relating to this fundamental uncertainty are described in note 2 to the financial statements. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

22 June 2005

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	4 & 5	30,107	36,473
Cost of sales		(23,818)	(32,641)
Gross profit		6,289	3,832
Other revenue	4	3,630	2,384
Selling expenses		(3,773)	(1,824)
Administrative expenses		(14,814)	(21,089)
Other expenses		-	(6,294)
Loss from operations	6	(8,668)	(22,991)
Finance costs	8	(16)	(105)
Loss before taxation		(8,684)	(23,096)
Taxation	9	(42)	-
Loss after taxation		(8,726)	(23,096)
Minority interests		27	18
Loss attributable to shareholders	10	(8,699)	(23,078)
Loss per share (in HK cents)	11		
– Basic		(1.32 cents)	(3.53 cents)
– Diluted		N/A	N/A

The notes on pages 30 to 52 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Fixed assets	14	1,762	2,236
Negative goodwill	15	-	-
		1,762	2,236
Current assets			
Inventories	18	-	55
Trade and other receivables	19	8,035	10,470
Prepayments and deposits		321	1,986
Tax refundable		23	43
Pledged bank deposits		302	-
Bank and cash balances	20	4,369	8,423
		13,050	20,977
Current liabilities			
Trade and other payables	21	10,865	10,540
Provision for taxation	9	243	243
		11,108	10,783
Net current assets		1,942	10,194
Total assets less current liabilities		3,704	12,430
Minority interests		2	29
Net assets		3,702	12,401
Capital and reserves			
Share capital	23	6,600	6,600
Reserves		(2,898)	5,801
		3,702	12,401

Approved and authorised for issue by the Board of Directors on 22 June 2005.

Ma Yuanguang
Director

Chau Siu Piu
Director

The notes on pages 30 to 52 form an integral part of these financial statements.

BALANCE SHEET

AT 31 MARCH 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Investment in a subsidiary	16	21	21
Current assets			
Prepayments and deposits		188	1,608
Due from a subsidiary	17	10,193	16,549
		10,381	18,157
Current liabilities			
Other payables		210	220
Due to subsidiaries	17	6,490	5,592
		6,700	5,812
Net current assets		3,681	12,345
Net assets		3,702	12,366
Capital and reserves			
Share capital	23	6,600	6,600
Reserves	25	(2,898)	5,766
		3,702	12,366

Approved and authorised for issue by the Board of Directors on 22 June 2005.

Ma Yuanguang
Director

Chau Siu Piu
Director

The notes on pages 30 to 52 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2005

	Reserves						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note a)	Foreign exchange translation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Statutory reserves HK\$'000 (note b)	
At 1 April 2003	6,500	14,859	2,135	12	10,792	820	35,118
Issue of shares upon exercise of share options	100	261	-	-	-	-	361
Loss for the year	-	-	-	-	(23,078)	-	(23,078)
At 31 March 2004 and 1 April 2004	6,600	15,120	2,135	12	(12,286)	820	12,401
Loss for the year	-	-	-	-	(8,699)	-	(8,699)
Transfer to statutory reserves	-	-	-	-	(1,253)	1,253	-
At 31 March 2005	6,600	15,120	2,135	12	(22,238)	2,073	3,702

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) Statutory reserves comprise statutory surplus reserve and statutory welfare reserve fund of subsidiary in the People's Republic of China (the "PRC").

The notes on pages 30 to 52 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

29

ANNUAL REPORT 2004/05

	2005 HK\$'000	2004 HK\$'000
Operating activities		
Loss before taxation	(8,684)	(23,096)
Adjustments for:		
Depreciation	491	434
Provision for bad and doubtful debts	8,430	13,867
Loss on disposal of fixed assets	20	–
Bad debts recovery	(2,696)	(227)
Amortisation of negative goodwill	–	(253)
Bank interest received	(21)	(27)
Interest paid	–	55
Operating loss before changes in working capital	(2,460)	(9,247)
Decrease in inventories	55	1,514
Increase in trade and other receivables	(3,299)	(3,302)
Decrease in prepayments and deposits	1,665	1,677
Increase in trade and other payables	325	538
Cash used in operations	(3,714)	(8,820)
Interest paid	–	(55)
Withholding tax refund	43	–
Income tax paid	(65)	–
Net cash used in operating activities	(3,736)	(8,875)
Investing activities		
Purchase of fixed assets	(37)	(863)
Bank interest received	21	27
Increase in pledged bank deposits	(302)	–
Net cash used in investing activities	(318)	(836)
Financing activities		
Capital contribution by minority shareholder of a subsidiary	–	47
Issue of shares upon exercise of share options	–	361
Net cash generated from financing activities	–	408
Net decrease in cash and cash equivalents	(4,054)	(9,303)
Cash and cash equivalents at beginning of year	8,423	17,726
Cash and cash equivalents at end of year	4,369	8,423
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	4,369	8,423

The notes on pages 30 to 52 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

1. GENERAL

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 since 13 November 2002.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. BASIS OF PREPARATION

The Group reported a loss attributable to shareholders of HK\$8,699,000 and a net cash used in operating activities of HK\$3,736,000 for the year ended 31 March 2005.

The Directors have continued to tighten cost controls over operating costs to improve the cash flows, profitability and operations of the Group. The Directors believe that the Group will have sufficient working capital for its future operational requirements. Accordingly, the financial statements have been prepared on a going concern basis. Currently, the Group's operations are funded by its internal resources. The continuation of the Group's business depends upon the ability of the Group to attain profitable and positive cash flow operations to meet its future working capital and financial requirements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the classification of recorded asset amounts, with these assets being written down to their recoverable amounts, and to the amounts and classification of liabilities, to reflect the fact that the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, additional liabilities may crystallise and the resulting amounts may differ materially from those stated in the financial statements. The effects of these adjustments have not been reflected in the financial statements.

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

31

ANNUAL REPORT 2004/05

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. The principal accounting policies adopted are set out as below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its direct and indirect subsidiaries made up to 31 March.

Subsidiaries are companies in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies and to appoint or remove the majority of the members of the Board of Directors, or to cast majority of votes at the meetings of the Board of Directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective date of acquisition or up to the effective date of disposal, as the case may be.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Fixed assets are depreciated at a rate sufficient to write off their cost of each asset after considering its residual value over their estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Furniture and fixtures	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	3 years
Tools and equipment	5 years
Motor vehicle	5 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(f) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purposes of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(g) Accounts receivable

Provision is made against accounts receivable to the extent, which they are considered to be doubtful. Accounts receivable in the consolidated balance sheet is stated net of such provision.

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from the supply, development and integration of telecommunication systems is recognised when the merchandise is delivered and the related development and integration services are completed.

Licence fee is recognised in accordance with the terms of the underlying licence agreements.

Revenue from the provision of services is recognised when the services are rendered.

Interest income is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

(j) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over its useful life. Where no development cost can be recognised as an asset, development expenditure is recognised as an expense in the period in which it is incurred.

(k) Employee benefits

(i) Retirement benefits

The Group contributes to Mandatory Provident Fund Scheme ("MPF Scheme") which is available to all eligible employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. Payments made to the MPF Scheme are charged as an expenses to the income statement as they fall due.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on applicable rates in accordance with the relevant government regulations.

(ii) Equity compensation benefits

Pursuant to written resolutions of the shareholders of the Company dated 23 October 2002, the Company adopted two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme. The options are granted and exercisable at predetermined price on the date of grant and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

35

ANNUAL REPORT 2004/05

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Borrowing costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

(m) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for items which are non-assessable or disallowable.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(n) Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(o) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst income statement items are translated at average rates. Exchange differences are dealt with as a movement in reserves. Upon the disposal of an overseas subsidiary, the related cumulative exchange difference is included in the income statement as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loan, borrowings, corporate and financing expenses and minority interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

4. TURNOVER AND REVENUE

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

Turnover and revenue recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Sales of goods and provision of services	30,107	36,473
Other revenue		
Bank interest income	21	27
Amortisation of negative goodwill	–	253
Bad debt recovery	2,695	227
Refund on valued-added tax	874	1,775
Sundry income	40	102
	3,630	2,384
Total revenue	33,737	38,857

5. SEGMENTAL INFORMATION

Primary reporting format – 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. Segment assets, liabilities, capital expenditure and depreciation are based on the geographical locations of assets.

Secondary reporting format – business segments

In presenting the information on the basis of business segments, the Group's customers can be broadly divided into two main business segments as follows:

- Backbone operators; and
- Small to medium size operators and other customers.

There are no sales between the business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

5. SEGMENTAL INFORMATION *(Continued)*

(a) Primary reporting format – geographical segments *(Continued)*

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

	PRC		Hong Kong		Elimination		Total	
	For the year ended 31 March 2005		For the year ended 31 March 2005		For the year ended 31 March 2005		For the year ended 31 March 2005	
	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000
REVENUE								
External sales	19,620	19,393	10,487	17,080	-	-	30,107	36,473
Inter-segment sales*	2,512	4,797	784	1,099	(3,296)	(5,896)	-	-
	22,132	24,190	11,271	18,179	(3,296)	(5,896)	30,107	36,473
RESULT								
Segment result	(2,302)	(10,385)	(332)	(83)			(2,634)	(10,468)
Unallocated corporate expenses							(9,664)	(8,613)
Interest income							21	27
Sundry income							3,609	2,357
Other operating expenses							-	(6,294)
Loss from operations							(8,668)	(22,991)
Finance costs							(16)	(105)
Taxation							(42)	-
							(8,726)	(23,096)
Minority interests							27	18
Loss attributable to shareholders							(8,699)	(23,078)
ASSETS								
Segment assets	10,345	13,383	4,444	9,787			14,789	23,170
Unallocated assets							23	43
Total assets							14,812	23,213
LIABILITIES								
Segment liabilities	8,105	8,087	2,760	2,453			10,865	10,540
Unallocated liabilities							243	243
Total liabilities							11,108	10,783
OTHER INFORMATION								
Capital expenditure	33	854	4	9			37	863
Depreciation	489	433	2	1			491	434
Provision for bad and doubtful debts	6,930	12,870	1,500	997			8,430	13,867

* Inter-segment sales are charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

5. SEGMENTAL INFORMATION *(Continued)*

(b) Secondary reporting format – business segments *(Continued)*

	Backbone operators		Small to medium operators and other customers		Unallocated assets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	6,716	6,946	23,391	29,527	-	-	30,107	36,473
Segment assets	2,575	2,299	4,483	7,698	7,754	13,216	14,812	23,213
Capital expenditure	-	-	-	-	37	863	37	863

6. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration	250	251
Provision for bad and doubtful debts	8,430	13,867
Cost of inventories sold	21,094	29,717
Depreciation	491	434
Operating lease rentals – land and buildings	570	547
Research and development costs	-	6,294
Staff costs, including directors' emoluments <i>(Note 7)</i>	5,366	4,703

7. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2005 HK\$'000	2004 HK\$'000
Salaries and wages	5,102	4,451
Contribution to retirement benefit schemes	178	169
Provision for staff welfare benefits	86	83
	5,366	4,703

8. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Finance charge on discounted bills	-	55
Bank charges	16	50
	16	105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	2005 HK\$'000	2004 <i>HK\$'000</i>
PRC enterprise income tax– current	42	–
Hong Kong profits tax – current	–	–
	42	–

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) on the estimated assessable profits for the year 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 year (2004: Nil).

PRC enterprise income tax represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable. The PRC subsidiaries of the Group which are categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from PRC enterprise income tax for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years.

Taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the basic taxation rate in the PRC applicable to the Group as follows:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Loss before taxation	(8,684)	(23,096)
Calculated at a taxation rate of 33% (2004:33%)	(2,866)	(7,622)
Effect of different taxation rates in other countries/regions	729	2,446
Effect of tax exemptions granted to PRC subsidiaries	806	–
Tax effect of income not subject to taxation	(584)	(643)
Tax effect of expenses not deductible for taxation purposes	1,234	5,254
Effect of tax losses not recognised	708	563
Effect of withholding tax	15	2
Taxation charge for the year	42	–

(b) Taxation in the consolidated balance sheet represents:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Provision for PRC enterprise income tax	243	243
Provision for Hong Kong profits tax	–	–
	243	243

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of HK\$2,309,000 (2004: HK\$2,652,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

(a) Basic

The calculation of the basic loss per share for the year ended 31 March 2005 is based on the consolidated loss attributable to shareholders of approximately HK\$8,699,000 (2004: HK\$23,078,000) and on the weighted average of 660,024,500 (2004: 653,834,508) ordinary shares of the Company in issue during the year.

(b) Diluted

No diluted loss per share has been presented for the years ended 31 March 2005 and 2004 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

12. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	141	110
Basic salaries, other allowances and benefits in kind	1,456	1,129
Contributions to retirement benefit schemes for Directors of the Company	35	28
	1,632	1,267

The executive directors, Mr. Ma Yuanguang received emoluments of HK\$396,000 (2004: HK\$396,300), Mr. Hu Zhi Jian of HK\$360,226 (2004: HK\$360,300), Mr. Li Guo Ping of HK\$343,665 (2004: HK\$72,000), Dr. Lin Jiang of HK\$12,600 (2004: HK\$75,600), Mr. Chau Siu Piu of HK\$252,000 (2004: HK\$252,300) and Mr. Lo Kam Hon, Gary of HK\$126,000 (2004: HK\$Nil) for the year ended 31 March 2005.

The non-executive director, Mr. Wing Kee Eng, Lee received director fee of HK\$50,000 (2004: HK\$50,000) for the year ended 31 March 2005.

The independent non-executive directors who are also the members of Audit Committee, Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung received directors' fee of HK\$30,000 (2004: HK\$30,000), HK\$30,000 (2004: HK\$30,000) and HK\$31,333 (2004: HK\$Nil) respectively, for the year ended 31 March 2005.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

12. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: two) individual(s) during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, other allowances and benefits in kind	156	297
Contributions to retirement benefit schemes	8	15
	164	312

The emoluments of each of the five highest paid individuals of the Group for both years were less than HK\$1,000,000.

13. RETIREMENT BENEFITS

The Group participates in mandatory provident fund scheme established under Mandatory Provident Fund Ordinance ("MPF Scheme"). The Group is required to participate in a MPF Scheme operated by approved trustees in Hong Kong and to make compulsory contributions for its eligible employees. The Group's contributions to MPF Scheme are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month.

The employees of the Group participate in a retirement benefit plan (社會保險基金) organised by the Guangzhou Labour and Social Security Department (廣州市勞動和社會保障局) of the PRC under which the Group was required to make monthly defined contributions to the plan at certain rates of the relevant employee's basic salary during the year.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments discussed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

14. FIXED ASSETS

Group

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At beginning of year	69	709	181	1,914	276	3,149
Additions	–	37	–	–	–	37
Disposals	–	(23)	–	–	–	(23)
At end of year	69	723	181	1,914	276	3,163
Accumulated depreciation						
At beginning of year	34	176	181	429	93	913
Charge for the year	7	122	–	316	46	491
Written back on disposal	–	(3)	–	–	–	(3)
At end of year	41	295	181	745	139	1,401
Net book value						
At end of year	28	428	–	1,169	137	1,762
At beginning of year	35	533	–	1,485	183	2,236

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

15. NEGATIVE GOODWILL

	Group	
	2005 HK\$'000	2004 HK\$'000
Cost		
At beginning and at end of year	1,299	1,299
Accumulated amortisation		
At beginning of year	1,299	1,046
Amortisation for the year	-	253
At end of year	1,299	1,299
Net book value		
At end of year	-	-
At beginning of year	-	253

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	21	21

Details of the subsidiaries as at 31 March 2005 are as follows:

Name of Company	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
GL Limited	British Virgin Islands	21,052 ordinary shares of US\$1 each	100%	–	Investment holding
Hilltop Holdings Group Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	–	100%	Investment holding and holding of software rights
Guangzhou Global Link Communications Inc.	the PRC	Registered capital HK\$10,000,000	–	100%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions
北京國聯偉業通信技術有限公司	the PRC	Registered capital RMB1,000,000	–	95%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions
Global Link Communications (HK) Limited	Hong Kong	100 ordinary shares of HK\$1 each	–	100%	Provision of value-added telecommunications solutions and telecommunications application software

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

17. DUE FROM/(TO) SUBSIDIARIES

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

18. INVENTORIES

Inventories represent computer hardware and accessories, all of which were carried at cost.

19. TRADE AND OTHER RECEIVABLES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trade receivables	7,058	9,997
Other receivables	883	285
Bills receivables	94	188
	8,035	10,470

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

	2005	2004
	HK\$'000	HK\$'000
Between 0 to 90 days	3,186	4,744
Between 91 to 180 days	2,106	2,907
Between 181 to 365 days	1,290	1,842
Between 1 to 2 years	476	504
	7,058	9,997

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

Included in trade receivables are retention monies receivable of approximately HK\$407,000 (2004: HK\$1,223,500).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

20. BANK AND CASH BALANCES

Included in the bank and cash balances of the Group of approximately HK\$1,926,000 (2004: HK\$2,939,000) were deposited with banks in the PRC and denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. TRADE AND OTHER PAYABLES

	Group	
	2005 HK\$'000	2004 HK\$'000
Trade payables	7,733	6,894
Other payables	3,132	2,857
Bills payables	–	753
Customers' deposits received	–	36
	10,865	10,540

Bills payables are repayable within three months.

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

	2005 HK\$'000	2004 HK\$'000
Between 0 to 90 days	1,898	3,900
Between 91 to 180 days	1,992	2,047
Between 181 to 365 days	1,836	45
Between 1 to 2 years	1,923	902
Over 2 years	84	–
	7,733	6,894

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

22. DEFERRED TAXATION

At 31 March 2005, the Group has unused tax losses of HK\$9,466,000 (2004: HK\$5,696,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$376,000 (2004: HK\$69,000) that will expire according to the prevailing tax laws and regulations in the country in which the Group operates. Other losses may be carried forward indefinitely.

At 31 March 2005, the aggregate amount of temporary differences associated with bad and doubtful debt provisions for which deferred tax assets have not been recognised was HK\$20,467,000 (2004: HK\$16,234,000). No asset has been recognised in respect of these differences because the Directors are of the opinion that these provisions will not be accepted by the relevant local tax authority as tax deductible.

23. SHARE CAPITAL

		2005		2004	
	Note	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:					
Ordinary share of HK\$0.01 each		2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid:					
At beginning of year		660,024,500	6,600	650,000,000	6,500
Issuance of shares for exercised share options	24	-	-	10,024,500	100
At end of year		660,024,500	6,600	660,024,500	6,600

24. SHARE OPTION SCHEMES

The Group operates two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme of the Company adopted on 24 October 2002, the directors, employees, consultants and advisors of the Group were granted share options to subscribe for shares of the Company at an exercise price of HK\$0.036 each. Share options granted under the Pre-IPO Share Option Scheme have a duration of 10 years from the date of grant of the options and exercisable after one to two years from the date of listing of the shares of the Company on the GEM.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

24. SHARE OPTION SCHEMES *(Continued)*

Under the Share Option Scheme of the Company adopted on 24 October 2002, the directors, employees and business associates may be granted share options to subscribe for shares of the Company at an exercise price determined by the Board of Directors and shall be at least the highest of (i) the nominal value of a Share; (ii) the closing price of one Share on the offer date; or (iii) the average closing price of the Shares for the five business days immediately preceding the offer date. The options issued under the Share Option Scheme are exercisable within a period of not more than 10 years from the offer date and subject to vesting provisions as determined by the Board of Directors.

Each option gives the holder the right to subscribe for one share of the Company. A consideration of HK\$1 will be payable by the grantee upon acceptance of the offer of share options.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme were disclosed in the prospectus of the Company dated 31 October 2002.

Movements in share options are as follows:

	2005		2004	
	Number of share options		Number of share options	
	Pre-IPO	Share	Pre-IPO	Share
	Share	Option	Share	Option
	Scheme	Scheme	Scheme	Scheme
Outstanding at the beginning of year	46,720,000	6,230,000	57,410,000	-
Granted	-	-	-	6,510,000
Exercised	-	-	(10,024,500)	-
Lapsed	(1,194,000)	(1,500,000)	(665,500)	(280,000)
Outstanding at the end of year	45,526,000	4,730,000	46,720,000	6,230,000
Vested at the end of year	45,526,000	2,365,000	18,472,500	-

Details of share options granted under the Share Option Scheme during the year ended 31 March 2004 with total considerations of HK\$33:

Exercise period	Exercise price	Number of share options
10 December 2004 – 9 December 2013	HK\$0.132	3,255,000
10 December 2005 – 9 December 2013	HK\$0.132	3,255,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

24. SHARE OPTION SCHEMES *(Continued)*

Details of share options exercised under the Pre-IPO Share Option Scheme during the year ended 31 March 2004:

Exercise date	Market value per share at exercise date	Exercise price	Proceeds received	Number of share options
13 November 2003	HK\$0.198	HK\$0.036	HK\$360,882	10,024,500

Terms of unexpired and unexercised share options at 31 March 2005 are:

Exercise period	Exercise price	2005 No. of share options	2004 No. of share options
13 November 2003 – 23 October 2012	HK\$0.036	18,472,500	18,472,500
13 November 2004 – 23 October 2012	HK\$0.036	27,053,500	28,247,500
10 December 2004 – 9 December 2013	HK\$0.132	2,365,000	3,115,000
10 December 2005 – 9 December 2013	HK\$0.132	2,365,000	3,115,000
		50,256,000	52,950,000

25. RESERVES

Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	14,859	(1,702)	13,157
New shares issued for exercised share options	261	–	261
Loss for the year	–	(7,652)	(7,652)
At 31 March 2004 and 1 April 2004	15,120	(9,354)	5,766
Loss for the year	–	(8,664)	(8,664)
At 31 March 2005	15,120	(18,018)	(2,898)

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the relevant provisions of the Articles of Association of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

26. COMMITMENTS

At 31 March 2005, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2005 HK\$'000	2004 HK\$'000
Not later than one year	522	540

27. CONTINGENT LIABILITIES

At 31 March 2005, banking facilities amounting to HK\$2,500,000 (2004: HK\$2,500,000) granted by a bank to a wholly owned subsidiary were guaranteed by the Company.