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Global Link

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Global Link Communications Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8060)

First Quarterly Report 2005

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.

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

HIGHLIGHTS

Turnover for the three months ended 30 June 2005 was approximately HK\$7,208,000 representing a 13% decrease from that of the last corresponding period.

Net profit attributable to shareholders amounted to approximately HK\$538,000 representing a 152% increase from that of the last corresponding period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2005

The board of Directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is please to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (“Global Link” or “the Group”) for the three months ended 30 June 2005 together with the unaudited comparative figures for the corresponding period in 2004 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Note		
Turnover	2	7,208	8,253
Cost of sales		<u>(5,861)</u>	<u>(6,394)</u>
Gross profit		1,347	1,859
Other revenue		2,178	452
Selling expenses		(835)	(1,017)
Administrative expenses		<u>(2,148)</u>	<u>(2,250)</u>
Profit/(loss) from operations		542	(956)
Finance costs		<u>(5)</u>	<u>(6)</u>
Profit/(loss) before taxation		537	(962)
Taxation	3	<u>–</u>	<u>(81)</u>
Minority interests		<u>1</u>	<u>15</u>
Profit/(loss) attributable to shareholders		<u>538</u>	<u>(1,028)</u>
Dividend	4	<u>0</u>	<u>0</u>
Earnings/(loss) per share	5		
– basic (in HK cents)		0.082	(0.16)
– diluted (in HK cents)		<u>0.080</u>	<u>–</u>

NOTES TO THE INCOME STATEMENT

1. General and basis of preparation

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also conform with the applicable disclosure requirements of GEM Listing Rule.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position.

2. Turnover and revenue

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

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the three months ended 30 June 2005 of the individual companies within the Group arising in Hong Kong. No provision for Hong Kong profits tax has been made as individual companies within the Group has no assessable profit for the three months ended 30 June 2005 (2004: Nil).

The PRC enterprise income tax (“EIT”) represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries of the Group. The PRC subsidiaries of the Group which are categorised as foreign investment enterprises are entitled to preferential tax treatments including full exemption from EIT for two years starting from their first profit-making year following by a 50% reduction for the next consecutive three years. The first profit-making year was year 2001 and therefore there was EIT tax charge for the year 2003. No provision for EIT has been made as individual companies within the Group has no assessable profit for the three months ended 30 June 2005 (2004: HK\$81,000).

There was no significant unprovided deferred taxation for the three months ended 30 June 2005.

4. Dividend

The Board does not recommend an interim dividend for the three months ended 30 June 2005 (2004: Nil).

5. Earnings/(loss) per share

(a) Basic

The calculation of basic earnings per share for the three months ended 30 June 2005 is based on the consolidated profit attributable to shareholders of approximately HK\$538,000 and on the weighted average of 660,024,500 shares of the Company in issue during the period.

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

(b) Diluted

The calculation of diluted earnings per share for the three months ended 30 June 2005 is based on the profit attributable to shareholders of HK\$538,000 and the weighted average of 672,771,780 shares after adjusting for the effects of all dilutive potential shares, as if all the outstanding share options granted by the Company had been exercised at the date of issuance.

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

6. Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000 (note a)	Foreign exchange translation reserve (Unaudited) HK\$'000	Retained profits /(accumulated Losses) (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000 (note b)	Total (Unaudited) HK\$'000
As at 1 April 2004	6,600	15,120	2,135	12	(12,286)	820	12,401
Loss for the period	-	-	-	-	(1,028)	-	(1,028)
Transfer to statutory reserve fund	-	-	-	-	(42)	42	-
As at 30 June 2004	<u>6,600</u>	<u>15,120</u>	<u>2,135</u>	<u>12</u>	<u>(13,356)</u>	<u>862</u>	<u>11,373</u>
As at 1 April 2005	6,600	15,120	2,135	12	(22,238)	2,073	3,702
Profit for the period	-	-	-	-	538	-	538
As at 30 June 2005	<u>6,600</u>	<u>15,120</u>	<u>2,135</u>	<u>12</u>	<u>(21,700)</u>	<u>2,073</u>	<u>4,240</u>

Note:

- (a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from group reorganisation in 2002.
- (b) Statutory reserves comprise statutory surplus reserve and statutory welfare reserve fund of subsidiary in the People's Republic of China (the "PRC").

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review and outlook

Global Link is a creator in message communication software. It is 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 governments, construction of information infrastructure as well as provides other communication network solutions in the PRC and in other parts of the Asia-Pacific region.

During the period under review, the Group has kept its operating strategy on creative management, products and services, which had enhanced the Global Link brand name in the industry. This did not only retain the existing customers, but also developed new market opportunity. The Group's customers are mainly backbone telecommunication operators, small to medium virtual telecommunications operators and value-added services providers. The Group's products have also been presented to big size enterprises' call centre, electricity and transportation industries.

The Group, through high investment in research and development for years, has developed the patient 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. The multi media view channel control system, a new high-tech product currently launched into the market, is adaptable to multi message port for trains, with creative technology for railway transportation in the PRC. The system will be adopted for several hundred sections of underground railway in the PRC core cities.

The PRC telecommunications information market is expected to keep in high growth. The Group's management believes that, enhance operation through strengthened creative management, products and services as well as long term focus in the industry, Global Link not only can keep developing in the telecommunications industry, but also can get more market segment in projects including electricity, transportation and construction of government information.

Financial review

For the three months ended 30 June 2005, the Group recorded a turnover of approximately HK\$7,208,000, representing a decrease by approximately 13% comparing with that of the last corresponding period. Gross profit of approximately HK\$1,347,000 was recorded, representing a decrease by approximately 28%, comparing with that from the last corresponding period. Gross profit margin decrease from approximately 23% to approximately 19%. Net profit attributable to shareholders of approximately HK\$538,000 was recorded in this quarter.

During the period under review, in view of the Group's development strategy, the Group has kept invested in research and development, which caused the decrease in gross profit margin. The Group holds prudent view on the future financial resources and kept strengthened credit control policy, caused the administrative expenses close with that of the last corresponding period.

The increase in other revenue was mainly resulted from increase in the written back of bad debt provision as the Group has kept tight control on account receivable, which also was the main contribution for the Group's recorded profit in this quarter.

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

As at 30 June 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 (Note 3)	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:

1. Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 7,778,000 shares, 4,861,000 shares, 2,778,000 shares, 833,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Chau Siu Piu, Li Guo Ping, Wing Kee Eng, Lee, Hu Tiejun and Lu Ting Jie respectively pursuant to the Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted and approved by the shareholders of the Company on 24 October 2002. On 13 November 2003, Lu Ting Jie had exercised 416,500 share options under the Pre-IPO Share Option Scheme.

On 10 December 2003, share options to subscribe for 350,000 shares of the Company were granted to Lo Kam Hon, Gary pursuant to the share option scheme (the “Share Option Scheme”) adopted by the Company on 24 October 2002.
2. Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.
3. Top Legend Investment Limited, the entire issued share capital of which is held by Li Guo Ping, is interested in the 68,744,800 ordinary shares of the Company.

Save as disclosed above, as at 30 June 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.

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

As at 30 June 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 30 June 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.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this report, as at 30 June 2005, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors and chief executives of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the member of the Group had purchased, sold or redeemed any of the shares of the Company during the three months ended 30 June 2005.

COMPETING INTERESTS

None of the Directors nor the substantial shareholders nor the initial management shareholders (as defined in the GEM Listing Rules) of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 3 members, namely Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited results for the three months ended 30 June 2005 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By order of the Board
Ma Yuanguang
Chairman

Hong Kong, 12 August 2005

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