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Global Link

國 聯 通 信 控 股 有 限 公 司

**Global Link Communications Holdings Limited**

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

(Stock Code: 8060)

**First Quarterly Report 2006**

## **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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## HIGHLIGHTS

Turnover for the three months ended 30 June 2006 was approximately HK\$5,951,000 representing a 17% decrease from that of the last corresponding period.

Profit attributable to equity shareholders of the Company of approximately HK\$617,000 representing a 15% increase from that of the last corresponding period.

## UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2006

The board of Directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased 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 2006 together with the unaudited comparative figures for the corresponding period in 2005 (“Last Corresponding Period”) as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	2	5,951	7,208
Cost of sales		(4,604)	(5,861)
Gross profit		1,347	1,347
Other income		1,203	2,178
Selling expenses		(755)	(835)
Administrative expenses		(1,171)	(2,148)
Profit from operations		624	542
Finance costs		(7)	(5)
Profit before taxation		617	537
Taxation	3	–	–
Profit for the period		617	537
Attributable to:			
Equity holders of the Company		617	538
Minority interests		–	(1)
		617	537
Earnings per share (in HK cents)	5		
– Basic		0.093	0.082
– Diluted		0.092	0.080

## NOTES TO THE INCOME STATEMENT

### 1. Basis of preparation

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

### 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% (2005: 17.5%) on the estimated assessable profits for the three months ended 30 June 2006 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 2006 (2005: 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. One of the PRC subsidiaries of the Group, Guangzhou Global Link Communications Inc., which is 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. No provision for EIT has been made as individual companies within the Group has no assessable profit for the three months ended 30 June 2006 (2005: Nil).

There was no significant unprovided deferred taxation for the three months ended 30 June 2006.

### 4. Dividend

The Board does not recommend an interim dividend for the three months ended 30 June 2006 (2005: Nil).

## 5. Earnings per share

### (a) Basic

The calculation of the basic earnings per share for the three months ended 30 June 2006 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$617,000 (2005: HK\$538,000) and on the weighted average of 660,024,500 (2005: 660,024,500) ordinary 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 2006 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$617,000.

The weighted average number of shares used in the calculation was 660,024,500 shares in issue for the three months ended 30 June 2006 and the weighted average number of 13,725,749 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the three months ended 30 June 2005 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$538,000 and the weighted average of 672,771,780 shares after adjusting for the effects of all dilutive potential shares.

## 6. Condensed Consolidated Statement of Changes in Equity

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 <i>(note a)</i>	Foreign currency translation reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000 <i>(restated)</i>	Accumulated losses (unaudited) HK\$'000 <i>(restated)</i>	Statutory reserves (unaudited) HK\$'000 <i>(note b)</i>	Total (unaudited) HK\$'000 <i>(restated)</i>
As at 1 April 2005	6,600	15,120	2,135	12	118	(22,356)	2,073	3,702
Profit for the period	-	-	-	-	-	538	-	538
<b>As at 30 June 2005</b>	<b>6,600</b>	<b>15,120</b>	<b>2,135</b>	<b>12</b>	<b>118</b>	<b>(21,818)</b>	<b>2,073</b>	<b>4,240</b>
As at 1 April 2006	6,600	15,120	2,135	37	177	(20,290)	2,147	5,926
Profit for the period	-	-	-	-	-	617	-	617
<b>As at 30 June 2006</b>	<b>6,600</b>	<b>15,120</b>	<b>2,135</b>	<b>37</b>	<b>177</b>	<b>(19,673)</b>	<b>2,147</b>	<b>6,543</b>

*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 developer of new information communication software. Its research and development of new software is mainly for projects of telecommunication operators, value-added telecommunication services, sizeable enterprises' information infrastructure and railway transportation multi media view channel control system in the PRC and in other parts of the Asia-Pacific region. It also provides information communication network software solution, design operation model, design technical scheme and related project services.

During the period, the PRC has fixed the railway transportation construction as a major investment in the next 10 years. Government's investment in related area is huge as 4 vertical and 4 horizontal passenger expressway will be constructed, with 22 core cities being approved to construct underground railway. The Group, based on the future market development trend, has adjusted and established corresponding operation strategy, reorganised its resource advantage to focus on developing special projects for railway transportations multi media view channel control system. Following the successful installation of multi media view channel control system in Guangzhou Underground Railway Line 4 and 5, the Group has further won the tender for installation of multi media view channel control system for 300 existing trains for Beijing Underground Railway Line 1. It's a new case for the installation of multi media view channel control system in new and existing trains in the PRC, while the Group has won such tender.

During the period, the Group utilised its resources efficiently. Apart from selling whole package of traditional product – value-added solutions, the Group has enhanced its cooperation with operators in a deeper way, through providing new operation model, application software, technical services, new product design and related operation support. These cooperation period ranges from 3 to 5 years and the Directors expect the Group could earn stable income through receiving software usage and service fee.

As the Olympics Games, Asian Games and World's Fair will be held in the PRC core cities in the coming years, informative communication market and security products have good market prospect. The Group's management believe, through insisting "continuous creativity" – the enterprise's core operation strategy and long term practice in the industry, its products can maintain a leading advantage. With the practice of underground railway multi media view channel control system, the "Global Link" brand name will have better impact and the Group and its shareholders will get a better return.

### **Financial review**

For the three months ended 30 June 2006, the Group recorded a turnover of approximately HK\$5,951,000, representing a decrease by approximately 17% comparing with that of the last corresponding period. Gross profit of approximately HK\$1,347,000 was recorded, gross profit margin increase from approximately 19% to approximately 23%. Net profit attributable to shareholders of approximately HK\$617,000 was recorded in this quarter.

During the period, resulted from the development strategy, the Group kept continues resources invested in research and development, which caused a slightly increase in gross profit margin. The Group's management hold prudent financial attitude led to the significant decrease in administration expenses by 45%. The decrease in turnover has caused a corresponding decrease in selling expenses. The decrease in other income is resulted from the decrease in writing back of bad debt provisions.

During the period, through turnover has decreased, the increase in gross profit margin and decrease in administration expenses have resulted in profit recorded for the Group in this quarter.

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

As at 30 June 2006, 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:

<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
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%



<b>Name of Director</b>	<b>Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholdings</b>
Chau Siu Piu	Company	Beneficial owner	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, 4,861,000 shares, 7,778,000 shares, 2,778,000 shares, 833,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Li Guo Ping, Chau Siu Piu, 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 2006, 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 2006, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the

nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

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

Save as disclosed above, as at 30 June 2006, 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 2006, 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 2006.

## **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.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three 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 2006 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, 11 August 2006

*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.*