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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)

Third Quarterly Report 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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HIGHLIGHTS

Turnover for the nine months ended 31 December 2013 was approximately HK\$50,460,000 representing approximately 49% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company was approximately HK\$16,341,000 and net profit of HK\$18,145,000 was recorded in the Last Corresponding Period.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2013

The board of directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and the nine months ended 31 December 2013 together with the unaudited comparative figures for the corresponding periods in 2012 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2013	2012	2013	2012
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	22,373	33,861	50,460	99,483
Cost of sales		<u>(17,519)</u>	<u>(20,608)</u>	<u>(47,532)</u>	<u>(65,020)</u>
Gross profit		4,854	13,253	2,928	34,463
Other revenue		1,134	1,695	2,654	2,244
Selling expenses		(7,359)	(1,928)	(13,314)	(5,945)
Administrative expenses		(1,949)	(3,425)	(5,920)	(8,587)
Finance costs		-	-	-	-
(Loss)/profit before taxation		(3,320)	9,595	(13,652)	22,175
Income tax	3	<u>(730)</u>	<u>(2,080)</u>	<u>(2,702)</u>	<u>(4,496)</u>
(Loss)/profit for the period		<u><u>(4,050)</u></u>	<u><u>7,515</u></u>	<u><u>(16,354)</u></u>	<u><u>17,679</u></u>
Other comprehensive (loss)/income:					
Exchange differences on translating foreign operations		<u>2,462</u>	<u>900</u>	<u>3,539</u>	<u>958</u>
Total comprehensive (loss)/ income for the period		<u><u>(1,588)</u></u>	<u><u>8,415</u></u>	<u><u>(12,815)</u></u>	<u><u>18,637</u></u>
(Loss)/profit attributable to:					
Equity shareholders of the Company		(4,049)	7,754	(16,341)	18,145
Non-controlling interests		<u>(1)</u>	<u>(239)</u>	<u>(13)</u>	<u>(466)</u>
		<u><u>(4,050)</u></u>	<u><u>7,515</u></u>	<u><u>(16,354)</u></u>	<u><u>17,679</u></u>
Total comprehensive (loss)/ income attributable to:					
Equity shareholders of the Company		(1,587)	8,654	(12,802)	19,103
Non-controlling interests		<u>(1)</u>	<u>(239)</u>	<u>(13)</u>	<u>(466)</u>
		<u><u>(1,588)</u></u>	<u><u>8,415</u></u>	<u><u>(12,815)</u></u>	<u><u>18,637</u></u>
(Loss)/earnings per share (in HK cents):					
- Basic	5	<u>(0.421)</u>	<u>0.807</u>	<u>(1.700)</u>	<u>1.890</u>
- Diluted		<u>N/A</u>	<u>0.807</u>	<u>N/A</u>	<u>1.890</u>

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. REVENUE

Revenue, which is also the Group's turnover, presents net of value-added tax, trade discounts and returns.

3. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Current year provision:		
PRC enterprise income tax	718	4,496
Deferred taxation		
Origination and reversal of temporary differences	<u>1,984</u>	<u>–</u>
	<u>2,702</u>	<u>4,496</u>

No Hong Kong profits tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the period. (2012: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") has been approved as a high and new technology enterprise and is entitled to a concessionary rate of Enterprise Income Tax ("EIT") at 15% until 22 August 2014.

Pursuant to the relevant laws and regulations applicable to newly established software production enterprises in the PRC, another PRC subsidiary, Guangzhou Sheng Yi Trainborne Information Software Ltd. ("SY") was exempted from EIT for the year ended 31 December 2011, followed by a 50% reduction in the applicable tax rate of 25% for a period of 3 years from 1 January 2012. These tax concessions will expire after 31 December 2014.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

There was no significant unprovided deferred taxation for the nine months ended 31 December 2013.

4. DIVIDEND

The Board does not recommend an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the nine months ended 31 December 2013 of approximately HK\$16,341,000 (2012: consolidated profit attributable to equity shareholders of the Company of approximately HK\$18,145,000) and the weighted average number of approximately 960,808,000 ordinary shares (2012: 960,808,000 ordinary shares) in issue.

(b) Diluted (loss)/earnings per share

No diluted loss per share has been presented for the nine months ended 31 December 2013 since the assumed exercise of the Company's outstanding share options would have no dilutive effect on loss per share.

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the nine months ended 31 December 2012 of approximately HK\$18,145,000 and the weighted average number of approximately 960,860,000 ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 (Unaudited) '000	2012 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	N/A	960,808
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	N/A	52
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<u>N/A</u>	<u>960,860</u>

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>	Exchange reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000
As at 1 April 2012	9,608	58,725	2,135	9,281	1,195	42,284	8,559	131,787
Profit attributable to equity shareholders of the Company for the period	-	-	-	-	-	18,145	-	18,145
Other comprehensive (loss)/ income								
Exchange differences on translating foreign operations	-	-	-	958	-	-	-	958
As at 31 December 2012	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>10,239</u>	<u>1,195</u>	<u>60,429</u>	<u>8,559</u>	<u>150,890</u>
As at 1 April 2013	9,608	58,725	2,135	10,918	1,195	59,303	10,807	152,691
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(16,341)	-	(16,341)
Other comprehensive (loss)/ income								
Exchange differences on translating foreign operation	-	-	-	3,539	-	-	-	3,539
As at 31 December 2013	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>14,457</u>	<u>1,195</u>	<u>42,962</u>	<u>10,807</u>	<u>139,889</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 DISCUSSION AND ANALYSIS

Business review

During the period under review, government at each level has actively promoted the resolutions in the Third Plenary Session of 18th CPC Central Committee, from areas of economic, culture, rule of law and people's livelihood to fully promote and deepen reformation. The GDP for 2013 has increased by 7.7% as compared to 2012, which realized the economic target of stable increase and improvement.

Following the Ministry of Railway's restructuring, and deepen reformation in the area of simplified approval authority and procedures for the investments in intercity railway construction projects, investments in the construction of railway still represent a large portion in the PRC's infrastructure. During the period under review, tenders from core cities for new railway lines have presented an increasing trend.

To cope with the severe competition for train information system in the domestic railway transportation industry, which mainly resulted from system integrated companies adopted low price strategy to capture market share, the Group has selectively participated in low gross profit margin projects to prevent future operational loss from contracts orientation tenders. The Group has obtained numerous projects in the past, including several dozens domestic lines which have been operated for years. Most of these lines were still under warranty period due to numerous factors of system projects, have caused increase in costs and directly affected the operating results.

Based on the industry changes in recent years, management has detailedly analysed the current market status and the trend in coming years, has adjusted its operation strategy. It mainly demonstrated through its advantages over resources to realize steady transform of the Group's operation, which comprise: (i) transform from project to services base, (ii) shift from current regular train product focus to increase in operation safety and safeguard system's market share, and (iii) develop from highly rely on city underground railway market into the integrated application development market, which was expanded from the intelligent transportation area. The Group believes, promote by relevant strategy, can realize steady operation transformation, will break from current destructive competition in the market and get back to the increasing revenue and profit direction.

Financial review

For the nine months ended 31 December 2013, the Group recorded a turnover of approximately HK\$50,460,000, representing a decrease of approximately 49% compared with that of the Last Corresponding Period. Gross profit of approximately HK\$2,928,000 was recorded. Net loss attributable to equity shareholders of the Company of approximately HK\$16,341,000.

During the period, the Group delivered train information system to China South Locomotive and Rolling Stock Corporation Limited (“CSR”) and China Northern Locomotive and Rolling Stock Industry (Group) Corporation (“CNR”) scheduled in the signed supply contracts. Less shipment resulted in decrease in total quantity compared to last corresponding period as well as the decrease in turnover.

During the period, to protect the corporate brand name, establish good relationship with customers and long term business development, the Group has provided system maintenance services to several dozens projects that were still under warranty period, which caused increase in project expenses and materials consumed. The extensive investment in innovation, research and development for establishment of new system solution, has caused the increase in research and development workforce and their salaries. As a result, cost of goods sold for the current period were increased with decrease in gross profit margin.

The significant increase in selling expenses was mainly due to the more request market development activities.

Administrative expenses were well controlled as a result of effective budgetary control.

Other income of approximately HK\$410,000 mainly represents tax refund from sales of software, write back of provision for bad debts, bank interest income and exchange gain recognised, represent a 18% increase from the Last Corresponding Period.

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

As at 31 December 2013, to the best knowledge of 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	175,773,600 ordinary shares Long position	18.29%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (<i>Note</i>)	8.26%
		Beneficial owner	8,889,000 ordinary shares Long position	0.93%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.01%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position	0.29%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%

Note:

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.

Save as disclosed above, as at 31 December 2013, to the best knowledge of 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 31 December 2013, to the best knowledge of 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 members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Bright Cosmos Holdings Limited	Beneficial owner	79,347,600 ordinary shares Long position	8.26%

Note:

The entire issued share capital of Bright Cosmos Holdings Limited is held by Hu Zhi Jian.

Save as disclosed above, as at 31 December 2013, so far as known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2013, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

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 on 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. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2013.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the members of the Group had purchased, sold or redeemed any of the shares of the Company during the nine months ended 31 December 2013.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises of three members, namely Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung, all being independent non-executive Directors. The Group's unaudited results for the nine months ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the relevant legal and regulatory requirements, and that adequate disclosures have been made.

By order of the Board

Ma Yuanguang

Chairman

Hong Kong, 12 February 2014

As at the date of this report, the executive Directors are Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Lo Kam Hon, Gary; the non-executive Director is Mr. Wing Kee Eng, Lee; and the independent non-executive Directors are Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung.