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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)

**Third Quarterly Report 2015**

## **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 2015 was approximately HK\$37,984,000 representing approximately 36% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company was approximately HK\$13,208,000 and net loss of HK\$4,305,000 was recorded in the Last Corresponding Period.

## **UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2015**

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 2015 together with the unaudited comparative figures for the corresponding periods in 2014 (“**Last Corresponding Period**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 December		For the nine months ended 31 December	
		2015	2014	2015	2014
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>	2	<b>17,395</b>	15,816	<b>37,984</b>	59,712
Cost of sales		<u>(17,475)</u>	<u>(16,535)</u>	<u>(40,603)</u>	<u>(56,347)</u>
Gross profit		(80)	(719)	(2,619)	3,365
Other revenue		1,879	3,165	3,467	7,098
Selling expenses		(1,829)	(2,456)	(4,946)	(7,663)
Administrative expenses		<u>(3,185)</u>	<u>(2,554)</u>	<u>(9,110)</u>	<u>(7,106)</u>
<b>(Loss) before taxation</b>		<b>(3,215)</b>	(2,564)	<b>(13,208)</b>	(4,306)
Income tax	3	—	—	—	—
<b>(Loss) for the period</b>		<u><b>(3,215)</b></u>	<u>(2,564)</u>	<u><b>(13,208)</b></u>	<u>(4,306)</u>
<b>Other comprehensive (loss)/income:</b>					
Exchange differences on translating foreign operations		<u>(998)</u>	<u>(1,034)</u>	<u>(2,155)</u>	<u>76</u>
<b>Total comprehensive (loss) for the period</b>		<u><b>(4,213)</b></u>	<u>(3,598)</u>	<u><b>(15,363)</b></u>	<u>(4,230)</u>
<b>(Loss) attributable to:</b>					
Equity shareholders of the Company		(3,215)	(2,564)	(13,208)	(4,305)
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>
		<u><b>(3,215)</b></u>	<u>(2,564)</u>	<u><b>(13,208)</b></u>	<u>(4,306)</u>
<b>Total comprehensive (loss) attributable to:</b>					
Equity shareholders of the Company		(4,213)	(3,598)	(15,363)	(4,229)
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>
		<u><b>(4,213)</b></u>	<u>(3,598)</u>	<u><b>(15,363)</b></u>	<u>(4,230)</u>
<b>(Loss) per share (in HK cents):</b>	5				
– Basic		<u><b>(0.295)</b></u>	<u>(0.266)</u>	<u><b>(1.213)</b></u>	<u>(0.448)</u>
– Diluted		<u><b>(0.295)</b></u>	<u>(0.266)</u>	<u><b>(1.213)</b></u>	<u>(0.448)</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

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. (2014: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("**Guangzhou GL**") was qualified as a high and new technology enterprise from October 2014 and was entitled to a concessionary rate of PRC enterprise income tax (the "PRC EIT") at 15% over 3 years.

Another PRC subsidiary, 廣州勝億信息科技有限公司 (formerly known as "廣州勝億交通信息軟件有限公司") ("**勝億科技**") was qualified as an approved software enterprise since year 2011 and was exempted from the PRC EIT for the year ended 31 December 2011, followed by a 50% reduction of enterprise income tax rate from year 2012 to year 2014. 勝億 was qualified as a high and new technology enterprise from October 2014 and was entitled to a concessionary rate of the PRC EIT at 15% over 3 years.

Except for Guangzhou GL and 勝億科技 as mentioned above, remaining subsidiary located in the PRC is subject to the PRC EIT rate of 25% (2014: 25%) on its assessable profits.

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 2015.

#### 4. **DIVIDEND**

The Board does not recommend a dividend for the nine months ended 31 December 2015 (2014: Nil).

#### 5. **(LOSS) PER SHARE**

##### (a) **Basic (loss) per share**

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 31 December 2015 of approximately HK\$3,215,000 (2014: approximately HK\$2,564,000) and the weighted average number of approximately 1,088,808,000 ordinary shares (2014: 963,590,000 ordinary shares) in issue during the period calculated.

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the nine months ended 31 December 2015 of approximately HK\$13,208,000 (2014: approximately HK\$4,305,000) and the weighted average number of approximately 1,088,808,000 ordinary shares (2014: 961,739,000 ordinary shares) in issue during the period calculated.

##### (b) **Diluted (loss) per share**

The basic and diluted loss per share are the same for the three months and nine months ended 31 December 2015 and 2014, as the warrants outstanding during the period are anti-dilutive.

## 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	Warrant reserve (Unaudited) HK\$'000	(Accumulated losses)/ Retained earnings (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000
As at 1 April 2014	9,608	58,725	2,135	12,053	-	3,689	10,807	97,017
Issue of Consideration Shares	1,280	30,720	-	-	-	-	-	32,000
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(4,305)	-	(4,305)
Other comprehensive loss								
Exchange differences on translating foreign operation	-	-	-	76	-	-	-	76
As at 31 December 2014	<u>10,888</u>	<u>89,445</u>	<u>2,135</u>	<u>12,129</u>	<u>-</u>	<u>(616)</u>	<u>10,807</u>	<u>124,788</u>
As at 1 April 2015	10,888	89,807	2,135	12,129	186	(38,773)	10,807	87,179
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(13,208)	-	(13,208)
Other comprehensive loss								
Exchange differences on translating foreign operation	-	-	-	(2,155)	-	-	-	(2,155)
As at 31 December 2015	<u>10,888</u>	<u>89,807</u>	<u>2,135</u>	<u>9,974</u>	<u>186</u>	<u>(51,981)</u>	<u>10,807</u>	<u>71,816</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 and outlook

During the period under review, the Twelfth Five-Year Plan of the PRC government has come to a fruitful completion. In 2015, GDP recorded a growth rate of 6.9%, the value of tertiary industry accounted for 50.5% of GDP, and the growth of household income outweighed the growth of GDP for the corresponding period. Although the increase of investment in fixed asset has been slowing, the investment in infrastructure of rail transit area remained unchanged as originally planned. Of the new projects of urban rail transit, except for the cities including Beijing, Shanghai, Guangzhou and Shenzhen, we commenced new projects in more than a dozen of capital cities and large cities such as Wuhan, Chengdu, Tianjin, Fuzhou, Nanjing, Hangzhou and Nanning.

The business operation of the Group is still based on the broadening of market horizon for our on-board train information system for rail transit. During the period under review, the order contracts of a number of new lines projects in several cities were signed, and a large number of spare parts and accessories as well as reconstruction of train system were provided by previous proprietors. Currently, the Company provides services to a total of 14 domestic and international cities, and designates engineering service personnel to ten manufacturing companies under CRRC Group. It also commences operation and maintenance services for more than 30 lines. Technological innovation is the driving force behind the development of the Company. In respect of research and development of new products, our research and development centre has innovated the application of four products, which are unprecedented in the industry and helps to reduce costs, ensure operation safety and brand advantages and market competitiveness of our products in the future.

We implemented the “two-wheel-drive” plan at the beginning of the year, and the strategy of a gradual shift of business focus for our business operation is proceeded as planned. The smart cities project based on CA-SIM technology is expanded so as to complement the formulation of proposals prior to the commencement of projects with Panyu government of Guangzhou and other relevant regions. With an emphasis on safety management, Guangzhou Shengyi Information Technology Company Limited\* (廣州勝億信息科技有限公司), the project implementation entity of the Group, hired staff and developed relevant management system platform. As APP for mobile online and value-added services is rolled out gradually, the services have been delivered to some of our customers via the system. It is expected that the outstanding application experience will acquire more users.



The PRC government puts forward the economic development principle of “innovation, coordinated and green development, opening up and inclusiveness” for the coming year, based on steady economic growth and with more emphasis on structural reforms of supply side. It is anticipated that in the coming Thirteenth Five-Year Plan, the investment scale of railway fixed asset will amount to RMB3.5 trillion to RMB3.8 trillion, the new lines constructed will reach a length of 30,000 km, the intercity railway of 8 cities such as Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta will reach a length of 5,000 km, the investment in rail vehicle will amount to RMB800 billion. Therefore, the new five-year plan will bring more business opportunities to the relevant industry chain.

### **Financial review**

The Group’s turnover decreased by approximately 36% to approximately HK\$37,984,000 for the nine months ended 31 December 2015 as compared to the same period last year. The Group recorded gross loss of approximately HK\$2,619,000 and gross loss margin at approximately 7%. Loss attributable to equity shareholders of the Company for the quarter was approximately HK\$13,208,000, as compared to a loss of HK\$4,305,000 in the corresponding period last year.

For the three months ended 31 December 2015, the Group’s turnover amounted to approximately HK\$17,395,000, representing 46% of the turnover for the nine months ended 31 December 2015. Due to increased sales of replacement items and enhancement in the speed of delivering passenger information system for Hangzhou Line 2, Shenzhen Line 1, Dongguan Line 2, Fuzhou Line and Guangzhou Line 7, sales has been significantly improved during the three-month period.

During the period, costs of sales in terms of material consumption, research and development expenses and production costs amounted to HK\$29,129,000, HK\$8,784,000 and HK\$2,448,000 respectively. The low gross profit of goods delivered was unable to offset the research and development expenses and production costs, thus resulting in negative gross profit.

During the period, selling expenses of the Group decreased by approximately 35% from the same period last year, mainly due to the fact that Guangzhou Global Link implemented a targeted marketing strategy, thereby business activities between train manufacturers and project owners are under effective control, leading to a drastic fall in selling expenses. During the period, 勝億科技 is in the process of commencing the application and promotion on CA-SIM patented technology, including recruitment of staff, development in systems and a number of mobile online applications, corporate expenses incurred was approximately HK\$909,000 accordingly.

Administrative costs increased by approximately HK\$2,004,000 or 28% as compared to the same period last year, mainly due to the amortization of HK\$2,437,000 on the authorized CA-SIM patent obtained by the Group during the period. Other administrative costs except amortization on patent decreased in effect from the same period last year as a result of strict implementation of established financial budget.

During the period, other revenue decreased by approximately 51% as compared to the same period last year, mainly due to a 49% decrease in the reversal of bad debts as compared to the same period last year. In addition, the fluctuation in RMB exchange rate resulting in less exchange gains as compared to the same period last year was another reason for the decrease in other incomes.

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

As at 31 December 2015, 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	255,121,200 ordinary shares Long position	23.43%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.01%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position	0.08%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.08%

Save as disclosed above, as at 31 December 2015, 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 2015, 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:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholding</b>
International Elite Ltd.	Beneficial owner	128,000,000 ordinary shares Long position	11.76%

Save as disclosed above, as at 31 December 2015, 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 2015, 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 2015.

## **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 2015.

## **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. Leung Kwok Keung, Mr. Lu Ting Jie and Mr. Liu Kejun, all being independent non-executive Directors. The Group's unaudited results for the nine months ended 31 December 2015 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, 5 February 2016

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

\* *For identification purpose only*