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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 2011

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 2011 was approximately HK\$51,571,000 representing approximately 40% decrease from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company was approximately HK\$5,200,000 representing approximately 74% decrease from that of the Last Corresponding Period.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

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 2011 together with the unaudited comparative figures for the corresponding periods in 2010 (“Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 December		For the nine months ended 31 December	
		2011	2010	2011	2010
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	9,041	27,862	51,571	86,180
Cost of revenue		<u>(8,578)</u>	(16,084)	<u>(36,233)</u>	(48,399)
Gross profit		463	11,778	15,338	37,781
Other revenue		3,093	100	5,912	1,404
Selling expenses		(1,435)	(1,307)	(5,949)	(5,279)
Administrative expenses		(3,216)	(3,593)	(8,565)	(10,355)
Finance costs		<u>(116)</u>	(92)	<u>(365)</u>	(178)
(Loss)/profit before taxation		(1,211)	6,886	6,371	23,373
Income tax	3	<u>-</u>	(1,345)	<u>(1,608)</u>	(4,505)
(Loss)/profit for the period		<u>(1,211)</u>	<u>5,541</u>	<u>4,763</u>	<u>18,868</u>
Other comprehensive income:					
Exchange differences on translating foreign operations		<u>-</u>	-	<u>2,190</u>	1,002
Total comprehensive (loss)/income for the period		<u>(1,211)</u>	<u>5,541</u>	<u>6,953</u>	<u>19,870</u>
(Loss)/profit attributable to:					
Equity shareholders of the Company		(1,253)	6,004	5,200	20,016
Non-controlling interests		<u>42</u>	(463)	<u>(437)</u>	(1,148)
		<u>(1,211)</u>	<u>5,541</u>	<u>4,763</u>	<u>18,868</u>
Total comprehensive (loss)/income attributable to:					
Equity shareholders of the Company		(1,253)	6,004	7,390	21,018
Non-controlling interests		<u>42</u>	(463)	<u>(437)</u>	(1,148)
		<u>(1,211)</u>	<u>5,541</u>	<u>6,953</u>	<u>19,870</u>
(Loss)/earnings per share (in HK cents):	5				
- Basic		<u>(0.131)</u>	<u>0.627</u>	<u>0.543</u>	<u>2.269</u>
- Diluted		<u>(0.130)</u>	<u>0.623</u>	<u>0.540</u>	<u>2.255</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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the nine months ended 31 December 2011 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 nine months ended 31 December 2011 (2010: Nil).

On 16 March 2007, the Fifth Session of the Tenth National People's Congress passed the PRC Enterprise Income Tax Law (the "New EIT Law"), which has become effective on 1 January 2008. According to the New EIT Law, the Company's subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") has been subject to the unified enterprise income tax ("EIT") rate of 25%. However, on 16 December 2008, Guangzhou GL was approved as a high and new technology enterprise and enjoyed a favorable EIT rate of 15% for three years. EIT tax charge for the nine months ended 31 December 2011 was HK\$1,608,000 (2010: HK\$4,505,000).

There was no significant unprovided deferred taxation for the nine months ended 31 December 2011.

4. DIVIDEND

The Board does not recommend an interim dividend for the nine months ended 31 December 2011 (2010: Nil).

5. (LOSS)/EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the nine months ended 31 December 2011 of approximately HK\$5,200,000 (2010: HK\$20,016,000) and the weighted average number of approximately 958,030,000 ordinary shares (2010: 882,207,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2011 (Unaudited) '000	2010 (Unaudited) '000
Issued ordinary shares at 1 April	958,030	882,207
Effect of new shares issued	-	-
Effect of share options exercised	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>958,030</u>	<u>882,207</u>

(b) Diluted earnings 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 2011 of approximately HK\$5,200,000 (2010: HK\$20,016,000) and the weighted average number of approximately 962,583,000 ordinary shares (2010: 887,681,000 ordinary shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011 (Unaudited) '000	2010 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	958,030	882,207
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	4,553	5,474
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<u>962,583</u>	<u>887,681</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	(Accumulated Share losses)		Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000
					option reserve (Unaudited) HK\$'000	retained earnings (Unaudited) HK\$'000		
As at 1 April 2010	7,775	25,498	2,135	1,979	1,195	2,559	5,649	46,790
Issue of new shares	1,550	34,102	-	-	-	-	-	35,652
Issue of shares upon exercise of share option	255	665	-	-	-	-	-	920
Total comprehensive income for the period	-	-	-	1,002	-	20,016	-	21,018
Transfer to statutory reserves	-	-	-	-	-	(2,517)	2,517	-
As 31 December 2010	<u>9,580</u>	<u>60,265</u>	<u>2,135</u>	<u>2,981</u>	<u>1,195</u>	<u>20,058</u>	<u>8,166</u>	<u>104,380</u>
As at 1 April 2011	9,580	58,652	2,135	5,858	1,195	31,821	5,649	114,890
Total Comprehensive income for the period	-	-	-	2,190	-	5,200	-	7,390
As at 31 December 2011	<u>9,580</u>	<u>58,652</u>	<u>2,135</u>	<u>8,048</u>	<u>1,195</u>	<u>37,021</u>	<u>5,649</u>	<u>122,280</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, the European Debt crisis has brought various uncertainties to the global economy, and it was also the first year of the PRC government's "12th Five Year Plan". The Consumer Price Index has declined on a monthly basis and is consistent with the policy of "stable development" promoted by the PRC government. The country's railway transportation construction is in its deep adjustment period, the relevant governmental departments have timely issued policies regarding basic investment from the Ministry of Railways, and resumed the construction of projects in progress. Large amount of trade receivables have been received from China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR"). Several suppliers of train system outfit product have also received its overdue trade receivables which reduced their cashflow pressure.

The Group, taking investment schedule of railway transportation construction and progress of new projects into account, have implemented corresponding operation strategy.

1. Actively collect trade receivables: With the effect and cooperation from parties involved, the Group has significant progress in collection of trade receivables which resulted in significant decrease in trade receivables balance and a better cash level can be maintained to secure future operation requirement.
2. Be active and devoted in new project development: The Group has close interaction with railway companies and train manufacturers, and assisted its customers to have successfully completed the system product sample inspection for the projects newly engaged by the Group including Line 1 in Haerbin, Line 2 in Wuhan and Line 1, 2 and 6 in Kunming, and have started preparing product delivery.
3. Maintain products quality authentication: The IRIS authentication is a significant means to bring the Group's product quality to a higher platform. With active efforts from all employees, the Group has passed the 1st phase appraisal, which marked the milestone for passing the full authentication.

The Group has signed new contracts with higher contracted sum. In view of the policy adjustment in the industry in the PRC, product delivery has been slowed down which caused significant decrease in turnover and profit for the period.

Financial review

For the nine months ended 31 December 2011, the Group recorded a turnover of approximately HK\$51,571,000, representing an decrease by approximately 40% compared with that of the Last Corresponding Period. Gross profit of approximately HK\$15,338,000 was recorded with gross margin at 30%. Net profit attributable to equity shareholders of the Company of approximately HK\$5,200,000, a 74% decrease comparing with that of Last Corresponding Period.

During the period, train manufacturers had slowed down their production plan to strengthen train safety and improve the quality of related outfit products, and caused a corresponding delay of the Group's product delivery schedule which has resulted in a decrease in the Group's turnover.

To further enhance the research and development work for several newly signed supply contracts with higher contracted sum, including Line 1, 2 and 6 in Kunming, Line 2 in Wuhan and Line 1 in Haerbin, the Group had increased the number of research and development staff to strengthen the Group's ability of research and development, which resulted in the increase in research and development expenses.

The Group continued to enhance its market development and promotion and maintained business and technical communication with train manufacturers and railway companies which resulted in increase in selling expenses.

With its expanding underground railway customers base and enhanced after-sales services, the Group has increased technician resources which resulted in the increase of related expenses.

The Group not only acted actively in collection of trade receivables, but also adequately utilised bank loans to ensure stable cash level for future operation which resulted in the increase in finance expenses.

The increase in other income is resulted from tax refund under the software product tax refund policy.

The decrease in gross profit margin is caused by the decrease in turnover and increase in research and development expenses.

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

As at 31 December 2011, 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 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 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	18.35%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	8.28%
		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 (Note 1)	0.29%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
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:

1. Share options to subscribe for 2,778,000 shares of the Company were granted to Wing Kee Eng, Lee 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.
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.

Save as disclosed above, as at 31 December 2011, 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 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 Exchange.

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

As at 31 December 2011, 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 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
Leung Kin Man Kenny	Beneficial owner	49,130,000 ordinary shares Long position	5.13%

Save as disclosed above, as at 31 December 2011, 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 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

Save as disclosed in this report, as at 31 December 2011, 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 2011.

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 2011.

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 2011 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, 13 February 2012

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.