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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 2008

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 2008 was HK\$23,022,000 representing a 19% decrease from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company was approximately HK\$1,258,000 representing a 80% decrease from that of the Last Corresponding Period.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

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 and the nine months ended 31 December 2008 together with the unaudited comparative figures for the corresponding periods in 2007 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2008	2007	2008	2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	4,663	8,985	23,022	28,579
Cost of sales		(3,308)	(4,765)	(15,593)	(17,062)
Gross profit		1,355	4,220	7,429	11,517
Other income		984	787	1,166	2,831
Selling expenses		(1,188)	(1,274)	(3,396)	(2,961)
Administrative expenses		(1,007)	(1,575)	(3,517)	(4,070)
Finance costs		(1)	(3)	(4)	(19)
Profit before tax		143	2,155	1,678	7,298
Income tax	3	-	(467)	(420)	(1,100)
Profit for the period		143	1,688	1,258	6,198
Attributable to:					
Equity holders of the Company		143	1,688	1,258	6,198
Minority interests		-	-	-	-
		143	1,688	1,258	6,198
Earnings per share					
(in HK cents)	5				
- Basic		0.019	0.22	0.163	0.82
- Diluted		0.018	0.21	0.158	0.78

NOTES TO THE INCOME STATEMENT

1. BASIS OF PREPARATION

The Group's unaudited third 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"), the 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 (the "GEM Listing Rules") and by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2008 are consistent with those followed in the annual report of the Company for the year ended 31 March 2008.

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% (2007: 17.5%) on the estimated assessable profits for the nine months ended 31 December 2008 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 2008 (2007: Nil).

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. ("Guangzhou GL"), has been approved as a high and new technology enterprise and entitled to a favorable national tax rate of 15%. The tax rates applicable to Guangzhou GL were 15% for the nine months ended 31 December 2008. EIT tax charge for the nine months ended 31 December 2008 was HK\$420,000 (2007: HK\$1,100,000).

There was no significant unprovided deferred taxation for the nine months ended 31 December 2008.

4. DIVIDEND

The Board does not recommend an interim dividend for the nine months ended 31 December 2008 (2007: Nil).

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	For the three months ended 31 December		For the nine months ended 31 December	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	143	1,688	1,258	6,198
	<u>143</u>	<u>1,688</u>	<u>1,258</u>	<u>6,198</u>
	Number of shares			
	For the three months ended 31 December		For the nine months ended 31 December	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	769,695	769,695	769,695	758,562
Effect of dilutive potential ordinary shares: Shares issued for no consideration assuming exercise of share options	16,495	36,427	27,296	36,812
	<u>16,495</u>	<u>36,427</u>	<u>27,296</u>	<u>36,812</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	786,190	806,122	796,991	795,374
	<u>786,190</u>	<u>806,122</u>	<u>796,991</u>	<u>795,374</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>	Foreign currency translation reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000
As at 1 April 2007	6,635	15,211	2,135	245	177	(17,721)	2,352	9,034
Profit for the period	-	-	-	-	-	6,198	-	6,198
Placing of new shares	1,000	9,600	-	-	-	-	-	10,600
Exercise of share option	62	485	-	-	-	-	-	547
Equity-settled share based payments	-	-	-	-	255	-	-	255
Transfer to statutory reserves	-	-	-	-	-	(611)	611	-
As at 31 December 2007	<u>7,697</u>	<u>25,296</u>	<u>2,135</u>	<u>245</u>	<u>432</u>	<u>(12,134)</u>	<u>2,963</u>	<u>26,634</u>
As at 1 April 2008	7,697	25,296	2,135	861	686	(12,394)	3,145	27,426
Profit for the period	-	-	-	-	-	1,258	-	1,258
Recognition of equity-settled share based payments	-	-	-	-	509	-	-	509
Transfer to statutory reserves	-	-	-	-	-	(252)	252	-
Exchange differences on translating foreign operations	-	-	-	1,117	-	-	-	1,117
As at 31 December 2008	<u>7,697</u>	<u>25,296</u>	<u>2,135</u>	<u>1,978</u>	<u>1,195</u>	<u>(11,388)</u>	<u>3,397</u>	<u>30,310</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 global economy was adversely affected by the financial tsunami. However, the PRC government has formulated a RMB40 billion plan to stabilise the economic development, RMB20 billion of which will be invested for the railway transportation construction. This means that the construction of railway transportation will be, in the forthcoming few years, developing in the largest scale since the establishment of the PRC. At the same time, it will boost the demand for services rendered by the related industries including train manufacturing and train equipment. In this connection, there will be a greater market opportunity for the Group's provision of railway transportation communication system.

The Group has completed the installation of view channel control system for Line 4 underground railway in Guangzhou and has started delivery of view channel control system to Line 5 in Guangzhou. In addition, the Group has provided and installed the view channel control system for Beijing Metro Line 4, which is an investment project made between the group of MTR Corporation Limited (whose shares are currently listed on the Exchange) and subsidiaries of the Beijing Municipal Government.

With the continuous national investment in railway transportation projects in different cities, the Group has, through its high quality product and technology, as well as good operation reputation and brand name in the industry, (i) entered into supply contract with CSR Zhuzhou Electric Locomotive Co., Ltd. for passenger information solution system for Lines 2 and 8 in Guangzhou; (ii) won the view channel control system supply tender for Line 1 in Wuhan; and (iii) entered into a technology agreement with CNR Changchun Railway Vehicles Co., Ltd. for Line 3 in Shenzhen for train broadcasting and view channel control system solutions.

To cope with the national investment plan, the Group has integrated its resources for investment in market and new product development in the railway transportation market to ensure that its railway transportation communication system maintains stable quality and advanced technology and also to capture the market share in the industry. Such investment in market and product development will have impact on the current operating result. However, the relevant contracts on hand and those contracts that will be implemented in the coming months in this aspect will give better results for the Group.

Following the Group's enhanced cash and accounts receivable management policy, its net cash inflow has been increasing, which is beneficial for the Group.

Financial review

For the nine months ended 31 December 2008, the Group recorded a turnover of approximately HK\$23,022,000, representing a decrease by approximately 19% comparing with that of the Last Corresponding Period. Gross profit of approximately HK\$7,429,000 was recorded, which represented a decrease in gross profit margin from approximately 40% to approximately 32%. Net profit attributable to equity shareholders of the Company of approximately HK\$1,258,000 was recorded in this quarter.

During the period, despite the enhanced control over the hardware cost of its products and software solutions, cost of sales have increased as a result of an increase in research and development expenses for new product development. This, in turn, caused a decrease in gross profits. With about 40 core cities starting the construction of underground railways and railways between cities, there was an increase in business activities with train manufactures and underground railway companies for technology and marketing, which led to an increase in selling expenses by 15% as compared with the Last Corresponding Period. Administration expenses, however, decreased by 14% from the Last Corresponding Period due to the enhanced cost control.

Guangzhou Global Link Communications Inc., a member of the Group, has received the software VAT refund from the relevant tax bureau. The decrease in other income is mainly due to the significant decrease in the write-back of bad debt provisions.

The drop in the Group's earnings is mainly caused by a decrease in gross profit margin and other income.

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

As at 31 December 2008, 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 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	165,217,600 ordinary shares Long position	21.47%
		Beneficial owner	10,556,000 ordinary shares Long position <i>(Note 1)</i>	1.37%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (<i>Note 2</i>)	10.31%
		Beneficial owner	8,889,000 ordinary shares Long position (<i>Note 1</i>)	1.15%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.02%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (<i>Note 1</i>)	0.36%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (<i>Note 1</i>)	0.11%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.11%

Note:

1. Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 2,778,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Wing Kee Eng, Lee and Hu Tiejun 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.
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 2008, 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 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 2008, 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 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	6.50%
Deng Xufu	Beneficial owner	49,480,000 ordinary shares Long position	6.43%

Save as disclosed above, as at 31 December 2008, so far is 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 announcement, as at 31 December 2008, 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 2008.

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 2008.

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, Professor 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 2008 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures had been made.

By order of the Board
Ma Yuanguang
Chairman

Hong Kong, 11 February 2009

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, Professor Lu Ting Jie and Mr. Leung Kwok Keung.