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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 2010**

## **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 2010 was approximately HK\$86,180,000 representing approximately 73% increase from that of the Last Corresponding Period.

Profit attributable to equity holders of the Company was approximately HK\$20,016,000 representing approximately 76% increase from that of the Last Corresponding Period.

## **UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2010**

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 2010 together with the unaudited comparative figures for the corresponding periods in 2009 (“Last Corresponding Period”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 December		For the nine months ended 31 December	
		2010	2009	2010	2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	2	<b>27,862</b>	27,548	<b>86,180</b>	49,741
Cost of revenue		<u>(16,084)</u>	<u>(14,882)</u>	<u>(48,399)</u>	<u>(29,222)</u>
Gross profit		<b>11,778</b>	12,666	<b>37,781</b>	20,519
Other income		<b>100</b>	1,242	<b>1,404</b>	1,664
Selling expenses		<b>(1,307)</b>	(871)	<b>(5,279)</b>	(3,552)
Administrative expenses		<b>(3,593)</b>	(1,992)	<b>(10,355)</b>	(4,670)
Finance costs		<b>(92)</b>	(2)	<b>(178)</b>	(7)
<b>Profit before tax</b>		<b>6,886</b>	11,043	<b>23,373</b>	13,954
Income tax	3	<u>(1,345)</u>	<u>(1,753)</u>	<u>(4,505)</u>	<u>(2,580)</u>
<b>Profit for the period</b>		<b><u>5,541</u></b>	<b><u>9,290</u></b>	<b><u>18,868</u></b>	<b><u>11,374</u></b>
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operation		<u>-</u>	<u>-</u>	<u>1,002</u>	<u>-</u>
<b>Total comprehensive income for the period, net of tax</b>		<b><u>5,541</u></b>	<b><u>9,290</u></b>	<b><u>19,870</u></b>	<b><u>11,374</u></b>
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		<b>6,004</b>	9,290	<b>20,016</b>	11,374
Minority interests		<b>(463)</b>	-	<b>(1,148)</b>	-
		<b><u>5,541</u></b>	<b><u>9,290</u></b>	<b><u>18,868</u></b>	<b><u>11,374</u></b>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Company		<b>6,004</b>	9,290	<b>21,018</b>	11,374
Minority interests		<b>(463)</b>	-	<b>(1,148)</b>	-
		<b><u>5,541</u></b>	<b><u>9,290</u></b>	<b><u>19,870</u></b>	<b><u>11,374</u></b>
<b>Earnings per share (in HK cents):</b>	5				
- Basic		<b><u>0.627</u></b>	<b><u>1.195</u></b>	<b><u>2.269</u></b>	<b><u>1.463</u></b>
- Diluted		<b><u>0.623</u></b>	<b><u>1.162</u></b>	<b><u>2.255</u></b>	<b><u>1.426</u></b>

## 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% (2009: 16.5%) on the estimated assessable profits for the nine months ended 31 December 2010 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 2010 (2009: 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 from 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 EIT rate of 25%. However, on 16 December 2008, Guangzhou GL was approved as a high and new technology enterprise and allowed a favorable EIT rate of 15% for three years. EIT tax charge for the nine months ended 31 December 2010 was HK\$4,505,000 (2009: HK\$2,580,000).

There was no significant unprovided deferred taxation for the nine months ended 31 December 2010.

### 4. DIVIDEND

The Board does not recommend an interim dividend for the nine months ended 31 December 2010 (2009: 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 2010 (Unaudited) HK\$'000		For the nine months ended 31 December 2010 (Unaudited) HK\$'000	
	2009 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000	
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	<u>6,004</u>	9,290	<u>20,016</u>	<u>11,374</u>
	Number of shares			
	For the three months ended 31 December 2010 (Unaudited) '000		For the nine months ended 31 December 2010 (Unaudited) '000	
	2009 (Unaudited) '000		2009 (Unaudited) '000	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>958,029</u>	777,474	<u>882,207</u>	777,474
Effect of dilutive potential ordinary shares: Shares issued for no consideration assuming exercise of share options	<u>5,539</u>	21,770	<u>5,474</u>	20,409
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>963,568</u>	<u>799,244</u>	<u>887,681</u>	<u>797,883</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 Share retained earnings losses) (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000
As at 1 April 2009	7,775	25,498	2,135	1,979	1,195	(11,810)	3,583	30,355
Profit for the period	-	-	-	-	-	11,374	-	11,374
Transfer to statutory reserves	-	-	-	-	-	(1,547)	1,547	-
As at 31 December 2009	<u>7,775</u>	<u>25,498</u>	<u>2,135</u>	<u>1,979</u>	<u>1,195</u>	<u>(1,983)</u>	<u>5,130</u>	<u>41,729</u>
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 at 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>

### 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

The period under review was in the last year of the PRC government's "11th Five Year Plan", and the investment in fixed assets in the transportation industry still has a relatively high increasing rate. Following the research and discussion of the "12th Five Year Plan", the PRC's economic development will enter into a new chapter and railway transportation construction will be the most sparkling point.

Global Link's train information system for railway transportation has further expanded its impact in the industry following the increased new railway lines being launched into operation. Railway transportation companies from several cities with newly planned railway transportation construction had visited the Group's Guangzhou office and also had thoroughly technical communications. The Group had relatively frequent operating activities in the period, which mainly included:—

1. Close cooperation with China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR") to ensure every line in several core cities would commence on schedule. New operating lines were: Line 15 Phase 1, Yi Zhuang Line, Da Xing Line and Chang Ping Line in Beijing; Line 8 and Guang Fo Line in Guangzhou and Line 3 in Shenzhen. Having 7 new lines commenced operations in a few months period is a historical record for the Group. Product quality achieved the design requirements and the operation of new lines were assured. The Group's intelligentized and humanized train information system has fully reflected its capability in product and project technology.
2. Successfully accomplished Guangzhou Asia Games' railway transportation security task. The Group's train information system serves as aggregate of 4 lines in Guangzhou, which is more than half of the operating lines in the city. Under the railway company's unity direction and arrangement, the Group cooperated with ChangChun Railway Vehicles Co., Ltd, CSR Sifang Locomotive and Rolling Stock Co., Ltd. and CSR Zhuzhou Electric Locomotive Co., Ltd to assure the security task and was recognized by the Guangzhou Underground Railway and major train manufacturers. Global Link's professional product technology and project services were demonstrated.



3. Utilize brand advantageous, continuously expand market share. The Group not only has market advantage in its train information system, and resulted from its accumulated investment and creativity in products and technology solutions, has gained the 2 view channel image upload Operation Control Centre (“OCC”) centre solution projects for Shenzhen Line 3 and 4. The Group also gained new contracts for Guangzhou Line 5 and Beijing Line 5.

With the expanding in railway transportation plan in the PRC core cities and the progress of more than 10 new city construction projects, the Group will have more frequent activities in market promotion, development on products’ adaptability as well as the communication with train manufacturers. And the coming year will be a busy year for the CSR and CNR for their delivery of train. Based on the increasingly enhanced sales network and the broadly operation of products in the domestic cities railway transportation, the Director believe that the Group’s strength will be fully reflected and it will have a higher competitive advantage.

### **Financial review**

For the nine months ended 31 December 2010, the Group recorded a turnover of approximately HK\$86,180,000, representing an increase by approximately 73% compared with that of the Last Corresponding Period. Gross profit of approximately HK\$37,781,000 was recorded, which represented an increase in gross profit margin from approximately 41% to approximately 44%. Net profit attributable to equity shareholders of the Company of approximately HK\$20,016,000 was recorded in this quarter.

During the period, the continuous significant increase in turnover was mainly caused by the on schedule product delivery for contracts signed with CSR and CNR in 2010. The Group’s continuous investment in research and development for products and software solutions, together with the enhanced management and selection of suppliers, have reduced the cost of materials purchased. The effective cost control has kept the gross profit margin at an ideal level.

The increase in turnover was also resulted from the energetic market development activities by the sales force. The increase in selling expenses was mainly resulted from more frequent business and technical communication with train manufacturers and underground railway companies as well as the expanded sales force.

To cope with the Group's strategy in elaborating its core advantages, the Group will develop in domestic market with its brand name and continuously increase the market share. In addition, Guangzhou Global Link Communications Inc. ("GZGL") has timely adjusted and enhanced the human resources for departments including sales, contracts execution, project services, administration and finance, and has adequately adjusted key staff salaries. As a result, administrative expenses has increased in the period. The increase in administrative expenses is also caused by the cost in relation to the subscription of new shares.

To ensure a smooth cash flow for production suppliers, GZGL has arranged a short term loan with China Construction Bank and the interest arose has caused the increase in finance expenses.

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

As at 31 December 2010, 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%
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:*

- 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.
- 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 2010, 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 2010, 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 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 Kenny	Beneficial owner	49,130,000 ordinary shares Long position	5.13%

Save as disclosed above, as at 31 December 2010, 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 2010, 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 2010.

## **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 2010.

## **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.

## PLACING OF SHARES

The Company allotted and issued an aggregate of 155,000,000 new shares at a subscription price of HK\$0.23 each to nine investors under the general mandate of the Company, the subscription of which was completed on 16 July 2010. Please refer to the announcements of the Company dated 6 July 2010 and 16 July 2010 for further details of the allotment of shares.

## 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 2010 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 has been made.

By order of the Board

**Ma Yuanguang**

*Chairman*

Hong Kong, 11 February 2011

*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.*