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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 2014**

## **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 2014 was approximately HK\$59,712,000 representing approximately 18% increase from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company was approximately HK\$4,305,000 and net loss of HK\$16,341,000 was recorded in the Last Corresponding Period.

## **UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2014**

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 2014 together with the unaudited comparative figures for the corresponding periods in 2013 (“**Last Corresponding Period**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  |   | For the three months<br>ended 31 December |                         | For the nine months<br>ended 31 December |                         |
|--|---|---|-------------------------|--|-------------------------|
|  |   | 2014                                      | 2013                    | 2014                                     | 2013                    |
|  |   | (Unaudited)<br>HK\$'000                   | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000                  | (Unaudited)<br>HK\$'000 |
| <b>Revenue</b>   | 2 | <b>15,816</b>                             | 22,373                  | <b>59,712</b>                            | 50,460                  |
| Cost of sales  |   | <u>(16,535)</u>                           | <u>(17,519)</u>         | <u>(56,347)</u>                          | <u>(47,532)</u>         |
| Gross profit   |   | (719)                                     | 4,854                   | <b>3,365</b>                             | 2,928                   |
| Other revenue  |   | <b>3,165</b>                              | 1,134                   | <b>7,098</b>                             | 2,654                   |
| Selling expenses   |   | <u>(2,456)</u>                            | <u>(7,359)</u>          | <u>(7,663)</u>                           | <u>(13,314)</u>         |
| Administrative expenses                                      |   | <u>(2,554)</u>                            | <u>(1,949)</u>          | <u>(7,106)</u>                           | <u>(5,920)</u>          |
| <b>(Loss) before<br/>taxation</b>                            |   | <b>(2,564)</b>                            | (3,320)                 | <b>(4,306)</b>                           | (13,652)                |
| Income tax   | 3 | <u>-</u>                                  | <u>(730)</u>            | <u>-</u>                                 | <u>(2,702)</u>          |
| <b>(Loss) for the period</b>                                 |   | <u><b>(2,564)</b></u>                     | <u>(4,050)</u>          | <u><b>(4,306)</b></u>                    | <u>(16,354)</u>         |
| <b>Other comprehensive<br/>(loss)/income:</b>                |   |   |                         |  |                         |
| Exchange differences on<br>translating foreign<br>operations |   | <u>(1,034)</u>                            | <u>2,462</u>            | <u>76</u>                                | <u>3,539</u>            |
| <b>Total comprehensive<br/>(loss) for the period</b>         |   | <u><b>(3,598)</b></u>                     | <u>(1,588)</u>          | <u><b>(4,230)</b></u>                    | <u>(12,815)</u>         |
| <b>(Loss) attributable to:</b>                               |   |   |                         |  |                         |
| Equity shareholders of the<br>Company                        |   | <u>(2,564)</u>                            | <u>(4,049)</u>          | <u>(4,305)</u>                           | <u>(16,341)</u>         |
| Non-controlling interests                                    |   | <u>-</u>                                  | <u>(1)</u>              | <u>(1)</u>                               | <u>(13)</u>             |
|  |   | <u><b>(2,564)</b></u>                     | <u>(4,050)</u>          | <u><b>(4,306)</b></u>                    | <u>(16,354)</u>         |
| <b>Total comprehensive (loss)<br/>attributable to:</b>       |   |   |                         |  |                         |
| Equity shareholders of the<br>Company                        |   | <u>(3,598)</u>                            | <u>(1,587)</u>          | <u>(4,229)</u>                           | <u>(12,802)</u>         |
| Non-controlling interests                                    |   | <u>-</u>                                  | <u>(1)</u>              | <u>(1)</u>                               | <u>(13)</u>             |
|  |   | <u><b>(3,598)</b></u>                     | <u>(1,588)</u>          | <u><b>(4,230)</b></u>                    | <u>(12,815)</u>         |
| <b>(Loss) per share<br/>(in HK cents):</b>                   |   |   |                         |  |                         |
| - Basic  | 5 | <u><b>(0.266)</b></u>                     | <u>(0.421)</u>          | <u><b>(0.448)</b></u>                    | <u>(1.700)</u>          |
| - Diluted  |   | <u>N/A</u>                                | <u>N/A</u>              | <u>N/A</u>                               | <u>N/A</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:

|   | <b>2014</b><br><b>(Unaudited)</b><br><i>HK\$'000</i> | 2013<br>(Unaudited)<br><i>HK\$'000</i> |
|---|--|--|
| Current year provision:                           |  |  |
| PRC enterprise income tax                         | –  | 718                                    |
| Deferred taxation                                 |  |  |
| Origination and reversal of temporary differences | –  | 1,984                                  |
|   | <u>–</u>   | <u>1,984</u>                           |
|   | <u>–</u>   | <u>2,702</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. (2013: 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 expire on 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 2014.

#### **4. DIVIDEND**

The Board does not recommend an interim dividend for the nine months ended 31 December 2014 (2013: 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 2014 of approximately HK\$2,564,000 (2013: approximately HK\$4,049,000) and the weighted average number of approximately 963,590,000 ordinary shares (2013: 960,808,000 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 2014 of approximately HK\$4,305,000 (2013: approximately HK\$16,341,000) and the weighted average number of approximately 961,739,000 ordinary shares (2013: 960,808,000 ordinary shares) in issue during the period calculated.

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

No diluted loss per share has been presented for the three months and the nine months ended 31 December 2014 since the assumed exercise of the Company's outstanding unlisted warrants would have no dilutive effect on loss per share.

No diluted loss per share has been presented for the three months and 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.

## 6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>(Unaudited)<br>HK\$'000 | Share<br>premium<br>(Unaudited)<br>HK\$'000 | Merger<br>reserve<br>(Unaudited)<br>HK\$'000<br><i>(note a)</i> | Exchange<br>reserve<br>(Unaudited)<br>HK\$'000 | Share<br>option<br>reserve<br>(Unaudited)<br>HK\$'000 | Retained<br>earnings<br>(Unaudited)<br>HK\$'000 | Statutory<br>reserve<br>(Unaudited)<br>HK\$'000<br><i>(note b)</i> | Total<br>(Unaudited)<br>HK\$'000 |
|--|---|---|---|--|---|---|--|----------------------------------|
| 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<br>shareholders of the<br>Company for the period | -   | -   | -   | -  | -   | (16,341)  | -  | (16,341)                         |
| Other comprehensive (loss)/<br>income  |   |   |   |  |   |   |  |                                  |
| Exchange differences on<br>translating foreign<br>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>                   |
| 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<br>shareholders of the<br>Company for the period | -   | -   | -   | -  | -   | (4,305)   | -  | (4,305)                          |
| Other comprehensive loss   |   |   |   |  |   |   |  |                                  |
| Exchange differences on<br>translating foreign<br>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>                   |

### 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 PRC's economic growth has changed from high growth rate to medium-high growth rate, with actual GDP growth rate at 7.3% for 2014, indicating a new normality for economic development. With the aim to promote structural reforms and encourage creativity, the development of domestic railway transportation has been slow down under the government's guiding principle, which were reflected in amount invested and projects implemented.

Based on the government's economic principle and the schedule of implemented train information system projects, the Group has started its overall operating strategy, formulated in early of the current fiscal year, in an orderly manner. During the period, the Group has completed the inspection of first installed train information system in several newly implemented projects as scheduled by China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR"). The Group has on schedule delivered train information system for these projects already under implementation. Paid services has been provided for system upgrade and supply of spare parts and accessories for several old lines. With services provided to over 30 operating lines, the Group has gradually withdraw from contracts with expired warranty period. In respect of product creativity, the Group has focused on developing system to enhance line owners' operating efficiency and safety. Resulted from upfront investment, these systems have achieved satisfactory progress, which will widen the Group's operating market in the area of creativity differentiation, new application development and new services.

To promote economic growth through structural reforms and creativity, was the PRC government's principle policy. The Group's core objective for the current period is transform from operating to strategic development. With years research and in-depth understanding on mobile internet related technology, the Group has moved a big step forward in its transformation implementation.



During the period, the Group was assigned with sole and exclusive right for the certain application of the CA-SIM, through the Panyu Region, Guangdong Province, the PRC, from International Elite Limited (stock code: 1328), a company listed on the main board of the Exchange. The Group will develop mobile internet services and operation in smart cities through that unique technology.

The CA-SIM personal mobile terminal, possess with personal identity and security authentication, will have new intelligent application in residential community, offices, shopping mall, schools, hospitals, public transportation, public entertainment areas and consumption settlement. The intelligent application of this hardware encryption based patent technology, will enhance effective implementation of public safety and social benefit policies. With the support from intelligent terminal app cloud calculation and data hubs systems, people from community, enterprises and public areas can fully enjoy the brand new personal O2O services in respect of safety, convenience, efficiency and low cost.

The Group believes that new economy will promote its development. The Group now gets opportunity through alliance with outstanding partners in the industry.

### **Financial review**

For the nine months ended 31 December 2014, the Group recorded a turnover of approximately HK\$59,712,000, representing an increase of approximately 18% compared with that of the Last Corresponding Period. Gross profit of approximately HK\$3,365,000 was recorded. Net loss attributable to equity shareholders of the Company of approximately HK\$4,305,000 and net loss of approximately HK\$16,341,000 was recorded in the Last Corresponding Period.

During the period, the Group recorded steady increase in shipment of train information system to CSR and CNR as scheduled in the signed supply contracts. Revenue from sales of spare parts to line owners under paid warranty services also recorded huge increase as compared to the Last Corresponding Period.

The significant decrease in selling expenses, mainly resulted from the effectively implemented selection market development plan and the classification of senior management salaries from selling to administrative expenses following the restructuring of Guangzhou Global Link Communications Inc. (“GZGL”) in early 2014.

Administrative expenses have increased by 20%, mainly caused by the reclassification of expenses in GZGL.

The Group has implemented effective cash flow management and trade receivables control, which caused reversal of trade receivables impairment made in previous years. Other income of approximately HK\$7,098,000, representing 1.7 times increase from the Last Corresponding Period.

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

As at 31 December 2014, 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/<br>name of<br>associated<br>corporation | Capacity         | Number and<br>class of securities               | Approximate<br>percentage of<br>shareholdings |
|----------------------|--|------------------|---|---|
| Ma Yuanguang         | Company  | Beneficial owner | 255,121,200<br>ordinary shares<br>Long position | 23.43%  |
| Lo Kam Hon,<br>Gary  | Company  | Beneficial owner | 120,000<br>ordinary shares<br>Long position     | 0.01%   |
| Hu Tiejun            | Company  | Beneficial owner | 833,000<br>ordinary shares<br>Long position     | 0.08%   |
| Wing Kee<br>Eng, Lee | Company  | Beneficial owner | 2,778,000<br>ordinary shares<br>Long position   | 0.25%   |
| Lu Ting Jie          | Company  | Beneficial owner | 833,000<br>ordinary shares<br>Long position     | 0.08%   |

Save as disclosed above, as at 31 December 2014, 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 2014, 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<br>Long position | 11.76%  |

Save as disclosed above, as at 31 December 2014, 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.

## **ISSUE OF CONSIDERATION SHARES UNDER THE GENERAL MANADATE**

On 23 December 2014 (after trading hours), the Company as assignee entered into an assignment of application rights (the “**Assignment**”) with International Elite Ltd (Stock Code: 1328) (the “**Assignor**”), pursuant to which the Assignor has agreed to assign the Application Rights to the Group throughout the Panyu Region, Guangdong Province, the PRC for a consideration of HK\$32,000,000, which shall be satisfied by the Company to allot and issue an aggregate of 128,000,000 new Shares (the “**Consideration Shares**”) to be allotted and issued by the Company at the issue price of HK\$0.25 per Share to satisfy the consideration of the Assignment. The completion took place on 30 December 2014. A total of 128,000,000 Consideration Shares were allotted and issued to the Assignor on 30 December 2014 in accordance with the terms and conditions of the Assignment.

## **CAPITAL STRUCTURE**

On 5 August 2014, after trading hours of the Exchange, the Company entered into separate subscription agreements (the “**Subscription Agreements**”) with six individuals investors (the “**Subscribers**”), pursuant to which, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for in aggregate 186,000,000 warrants (the “**Warrant(s)**”) (of 31,000,000 Warrants for each Subscribers) at the issue price of HK\$0.001 per Warrant. Warrants conferring the rights to the Subscribers to subscribe up to an aggregate of HK\$39,060,000 for the Warrant Shares were issued by the Company to the Subscribers. The initial subscription price of the aforesaid warrants is HK\$0.21 each. The completion of the subscription took place on 12 August 2014. During the period, no warrant was exercised and the subscription rights under the Warrant(s) will be expired on 11 August 2017.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

As at 31 December 2014, 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 2014.

## **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 2014.

## **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 2014 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, 11 February 2015

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