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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 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Global Link Communications Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This report will also be posted on the website of the Company at www.glink.hk.

HIGHLIGHTS

Turnover for the nine months ended 31 December 2020 was approximately HK\$62,956,000 representing approximately 7% increase from that of the corresponding period in 2019.

Loss attributable to equity shareholders of the Company for the nine months ended 31 December 2020 was approximately HK\$3,427,000, as compared with the loss of approximately HK\$9,472,000 for the corresponding period of last year.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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 2020 together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	2	20,607	24,042	62,956	58,660
Cost of sales		(20,419)	(19,510)	(53,738)	(47,608)
Gross profit		188	4,532	9,218	11,052
Other revenue		2,685	947	4,955	4,244
Selling expenses		(2,490)	(2,893)	(7,865)	(8,464)
Administrative expenses		(2,565)	(3,555)	(9,574)	(9,714)
Other operating expenses		(211)	(2,960)	(630)	(5,127)
Loss from operation		(2,393)	(3,929)	(3,896)	(8,009)
Finance costs		29	(134)	(622)	(304)
Loss before taxation		(2,364)	(4,063)	(4,518)	(8,313)
Income tax	3	–	(218)	–	(723)
Loss for the period		(2,364)	(4,281)	(4,518)	(9,036)
Other comprehensive loss:					
Exchange differences on translating foreign operations		950	193	1,753	(1,284)
Total comprehensive loss for the period		(1,414)	(4,088)	(2,765)	(10,320)
Loss attributable to:					
Equity shareholders of the Company		(2,364)	(4,489)	(3,427)	(9,472)
Non-controlling interests		–	208	(1,091)	436
		(2,364)	(4,281)	(4,518)	(9,036)
Total comprehensive loss attributable to:					
Equity shareholders of the Company		(1,414)	(4,296)	(1,674)	(11,187)
Non-controlling interests		–	208	(1,091)	867
		(1,414)	(4,088)	(2,765)	(10,320)
			(restated)		(restated)
Loss per share (in HK cents):	5				
– Basic and diluted		(0.72)	(1.65)	(1.05)	(4.12)

NOTES TO THE FINANCIAL STATEMENTS

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 GEM Listing Rules 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 (2019: Nil).

A PRC subsidiary of the Company, Guangzhou Global Link Communications Inc. ("**Guangzhou GL**"), was qualified as "High and new technology enterprise" and subject to concessionary rate of PRC enterprise income tax (the "**PRC EIT**") at 15%, which was granted for further three years starting from December 2020. The remaining PRC subsidiaries were qualified as "Small Low-profit Enterprise" and subject to a concessionary PRC EIT rate.

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 2020.

4. DIVIDEND

The Board does not recommend a dividend for the nine months ended 31 December 2020 (2019: 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 2020 of approximately HK\$2,364,000 (2019: approximately HK\$4,489,000) and the weighted average number of approximately 326,380,800 ordinary shares (2019: 271,462,300 ordinary shares (restated)) 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 2020 of approximately HK\$3,427,000 (2019: approximately HK\$9,472,000) and the weighted average number of approximately 326,380,800 ordinary shares (2019: 229,817,200 ordinary shares (restated)) in issue during the period calculated.

(b) Diluted loss per share

As there were no diluted potential ordinary shares during the three months and the nine months ended 31 December 2020 and for the three months and nine months ended 31 December 2019, the diluted loss per share was same as basic loss per share.

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 (note a)	Exchange reserve (unaudited) HK\$'000	Accumulated Losses (unaudited) HK\$'000	Statutory reserves (unaudited) HK\$'000 (note b)	Total (unaudited) HK\$'000
As at 1 April 2019	20,888	158,967	2,135	9,661	(110,951)	14,585	95,285
Impact on initial application of HKFRS 16	-	-	-	-	(33)	-	(33)
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	(9,472)	-	(9,472)
Other comprehensive loss	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	(1,284)	-	-	(1,284)
Issue of new shares	11,750	29,140	-	-	-	-	40,890
As at 31 December 2019	32,638	188,107	2,135	8,377	(120,456)	14,585	125,386
As as 1 April 2020	32,638	188,107	2,135	7,303	(134,459)	14,868	110,592
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	(3,427)	-	(3,427)
Other comprehensive loss	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	1,753	-	-	1,753
Release upon disposal of a subsidiary	-	-	-	28	-	-	28
As at 31 December 2020	32,638	188,107	2,135	9,084	(137,886)	14,868	108,946

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 subsidiaries arising from group reorganisation in 2002.
- (b) Statutory reserves comprise statutory surplus reserve and statutory welfare reserve fund of subsidiaries in the People's Republic of China (the "PRC").

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period under review, Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”), a subsidiary of the Company, mainly engaged in the delivery of train information systems for Guangzhou Metro Line 18, Southern Extension Line of Wuhan Metro Line 6, Chongqing Metro Line 9, Harbin Metro Line 2 and metro projects in Istanbul, the Republic of Turkey, according to the executed supply contracts. Further, additional engineering and technical efforts has been invested to facilitate the operation of systems delivered during the year as well as their operation and maintenance during the warranty period.

During the period under review, the novel coronavirus disease (the “**COVID-19**”) pandemic set off additional waves across the world, especially imposing various challenges on the execution of our overseas projects. With the goal to continue to explore overseas market and as arranged by CRRC Corporation Limited (“**CRRC**”), Guangzhou GL’s main customer, employees of Guangzhou GL conducted a preliminary study on the feasibility of localized mass production in Istanbul of the Republic of Turkey and interviewed representatives from local production entities. Facing various difficulties and COVID-19 related health risks, employees of Guangzhou GL worked together and made unremitting efforts to carry out the project so as to further expand the operating space created by the Belt and Road Initiative.

The market share of Chinese-made rail vehicle equipment continues to increase along with the progress and advancement of the urban rail transportation in China and the relevant technologies. During the period, CRRC has proposed a new direction on the standardization of metro vehicles which requires all products manufactured from the industry supply chain should comply with the standard set by the industry. In order to fit into these new techniques and requirements, Guangzhou GL will devote more research and development resources into adaptative re-development of original products through digesting and understanding industry standards, so as to maintain as an eligible supplier in the industry.

During the period under review, the management of the Group played a proactive role in gradually expanding the customer relationship management (“CRM”) business team leveraging on its extensive experience in the operation of CRM business. During the period, the Group commenced the CRM business and realized revenue. Since the CRM business is newly established, it is expected that revenue generated from the CRM business will experience a rapid growth after a stable development phase through recruitment and training, thus gradually becoming a key source of revenue of the Group.

Financial Review

For the nine months ended 31 December 2020, the turnover of the Group amounted to approximately HK\$62,956,000, representing an increase of approximately 7% as compared with approximately HK\$58,660,000 of the corresponding period of last financial year. Loss attributable to shareholders of the Company for the nine months ended 31 December 2020 amounted to approximately HK\$3,427,000, representing a decrease of 64% as compared with the loss of approximately HK\$9,472,000 for the corresponding period of last financial year.

During the period under review, Guangzhou GL had delivered train information systems and spare parts and accessories mainly pursuant to the supply contracts, including Guangzhou Metro Line 18, Southern Extension Line of Wuhan Metro Line 6, Chongqing Metro Line 9, Harbin Metro Line 2 and metro projects in Istanbul, the Republic of Turkey. The turnover of the rail transit business for the nine months ended 31 December 2020 amounted to approximately HK\$59,567,000 as a result of an increase in the total delivery amount as compared with the corresponding period of last financial year. During the period, the Group commenced the CRM business and realized revenue. The revenue of the CRM business amounted to approximately HK\$3,385,000.

Selling expenses for the period amounted to approximately HK\$7,865,000, representing a decrease of approximately 7% as compared with the corresponding period of last financial year. The decrease was mainly due to the impact of the COVID-19 pandemic. At the beginning of COVID-19 pandemic in early 2020, the Group’s international exchanges were almost interrupted, and subsequently, as the pandemic eased in China, the Group’s international exchanges fully recovered, but not to the same level as those in the corresponding period of last financial year.

Administrative expenses amounted to approximately HK\$9,574,000, representing a light decrease as compared with the corresponding period of last financial year.

Other operating expenses amounted to approximately HK\$630,000, mainly including the amortisation of intangible asset of CA-SIM amounting to approximately HK\$106,000 and the after-sales repair and maintenance provision for vehicle passenger information management system products of approximately HK\$524,000.

Other income amounted to approximately HK\$4,955,000, representing an increase as compared with approximately HK\$4,224,000 for the corresponding period of last financial year. The increase was mainly due to reversal of provision for bad debts of trade receivables made in the previous period.

Use of proceeds from the subscription completed on 21 April 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of Goldstream Investment Limited (formerly known as International Elite Ltd.), a company listed on the Main Board of the Stock Exchange (stock code: 1328) completed the subscription of 1,000,000,000 shares of the Company on 21 April 2016. For details please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016 and the circular published by the Company dated 30 March 2016 (the “**Circular**”).

The gross proceeds from the subscription were HK\$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK\$79.0 million (the “**Subscription Proceeds**”), amongst which approximately HK\$64.0 million had been utilised as at 31 December 2020. The breakdown of the Company’s actual use of the Subscription Proceeds as at 31 December 2020 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular <i>HK\$ million</i>	Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 December 2020 <i>HK\$ million</i>
The Company’s existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	30.0
The development of the “Smart City” project by using the Company’s existing CA-SIM technology, mainly for staff hiring, development of relevant management system platform and gradual roll out of the mobile apps and value-added services to target users	41.1	26.1
Working capital	7.9	7.9
Total	79.0	64.0

Based on the current market condition, the Board is planning to utilise approximately HK\$3.0 million on development of the “Smart City” projects and relevant research and development in the financial year ending 31 March 2021.

The remaining balance of the un-utilised Subscription Proceeds will be put in banks as deposits.

As at 31 December 2020, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

Change of chief executive officer

With effect from 27 November 2020, Mr. Wong Kin Wa has been appointed as the chief executive officer of the Company to replace Mr. Ma Yuanguang who has resigned the role on the same date due to rearrangement of duties by the Company. Mr. Ma Yuanguang continues to act as an executive director of the Company. Please refer to the Company’s announcement dated 27 November 2020 for more detail.

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

As at 31 December 2020, 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	Owner	1,055,600 ordinary Shares Long position	0.32%
Li Kin Shing ⁽¹⁾	Company	Owner	164,877,714 ordinary Shares Long position	50.52%
		Interest of corporation controlled by the director	25,465,320 ordinary Shares Long position	7.80%
		Interest of the spouse	38,749,356 ordinary Shares Long position	11.87%
Wong Kin Wa	Company	Owner	186,150 ordinary Shares Long position	0.06%

Note:

- (1) Mr. Li Kin Shing (“**Mr. Li**”) is personally interested in 164,877,714 Shares. Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 38,749,356 Shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Mr. Li is deemed to be interested in his spouse’s shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 25,465,320 Shares. Therefore, Mr. Li is also deemed to be interested in the Shares held by Ever Prosper International Limited under the SFO.

Save as disclosed above, as at 31 December 2020, 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 2020, 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:

Interests in ordinary shares of the Company – long position

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Kwok King Wa ⁽¹⁾	Beneficial owner	38,749,356	11.87%
	Interest of the spouse	164,877,714	50.52%
	Interest of corporation controlled by her	25,465,320	7.80%
Ever Prosper International Limited ⁽²⁾	Beneficial owner	25,465,320	7.80%

Notes:

- (1) Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 38,749,356 Shares. Mr. Li Kin Shing (“**Mr. Li**”) is personally interested in 164,877,714 Shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in her spouse’s shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interested in 25,465,320 Shares. Therefore, Ms. Kwok is also deemed to be interested in the Shares held by Ever Prosper International Limited under the SFO.
- (2) The 25,465,320 Shares are held by Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively. Mr. Li is the spouse of Ms. Kwok.

Save as disclosed above, as at 31 December 2020, 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

Save as disclosed in this report, as at 31 December 2020, 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 2020.

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 2020.

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. Cheung Sai Ming and Mr. Liu Chun Bao, all being independent non-executive Directors. The Group's unaudited results for the nine months ended 31 December 2020 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.

The audit committee further reviewed the Company's internal control and risk management system and is of the view that the internal control and risk management in place are effective and adequate for the Group as a whole.

By order of the Board

Li Kin Shing

Chairman

Hong Kong, 8 February 2021

As at the date of this report, the executive Directors are Mr. Li Kin Shing, Mr. Ma Yuanguang, and Mr. Wong Kin Wa; and the independent non-executive Directors are Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao.