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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)

First 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 three months ended 30 June 2014 was approximately HK\$22,029,000 representing approximately 6.37% decrease from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company of approximately HK\$2,760,000 and net loss of HK\$5,527,000 was recorded in the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2014

The board of Directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (“**Global Link**” or the “**Group**”) for the three months ended 30 June 2014 together with the unaudited comparative figures for the corresponding period in 2013 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2014

	<i>Note</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	2	22,029	23,528
Cost of sales		<u>(17,879)</u>	<u>(22,647)</u>
Gross profit		4,150	881
Other revenue		2,175	384
Selling expenses		(1,108)	(3,208)
Administrative expenses		<u>(2,457)</u>	<u>(2,044)</u>
Profit/(loss) before taxation		2,760	(3,987)
Income tax	3	<u>–</u>	<u>(1,552)</u>
Profit/(loss) for the period		2,760	(5,539)
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		<u>–</u>	<u>(35)</u>
Total comprehensive income/(loss) for the period		<u>2,760</u>	<u>(5,574)</u>
Profit/(loss) attributable to:			
Equity shareholders of the Company		2,760	(5,527)
Non-controlling interests		<u>–</u>	<u>(12)</u>
		<u>2,760</u>	<u>(5,539)</u>
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the Company		2,760	(5,562)
Non-controlling interests		<u>–</u>	<u>(12)</u>
		<u>2,760</u>	<u>(5,574)</u>
Earnings/(loss) per share (in HK cents):	5		
– Basic		<u>0.287</u>	<u>(0.575)</u>
– Diluted		<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 issued by the Hong Kong Institute of Certified Public Accountants, 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 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:

	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Current year provision:		
PRC enterprise income tax	–	609
Deferred taxation		
Origination and reversal of temporary differences	–	943
	<u>–</u>	<u>1,552</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, 廣州勝億交通信息軟件有限公司 ("勝億") 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 will expire after 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 three months ended 30 June 2014.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2014 (2013: Nil).

5. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the three months ended 30 June 2014 of approximately HK\$2,760,000 (2013: consolidated loss attributable to equity shareholders of the Company of approximately HK\$5,527,000) and the weighted average number of approximately 960,808,000 ordinary shares (2013: 960,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares for the three months ended 30 June 2014, and therefore, no diluted earnings per share has been presented.

No diluted loss per share has been presented for the three months ended 30 June 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 capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 <i>(note a)</i>	Exchange reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Statutory reserves (unaudited) HK\$'000 <i>(note b)</i>	Total (unaudited) 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 shareholders of the Company for the period	-	-	-	-	-	(5,527)	-	(5,527)
Other comprehensive (loss)/ income								
Exchange differences on translating foreign operations	-	-	-	(35)	-	-	-	(35)
As at 30 June 2013	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>10,883</u>	<u>1,195</u>	<u>53,776</u>	<u>10,807</u>	<u>147,129</u>
As at 1 April 2014	9,608	58,725	2,135	12,053	-	3,689	10,807	97,017
Profit attributable to equity shareholders of the Company for the period	-	-	-	-	-	2,760	-	2,760
As at 30 June 2014	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>12,053</u>	<u>-</u>	<u>6,449</u>	<u>10,807</u>	<u>99,777</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'S DISCUSSION AND ANALYSIS

Business review and outlook

During the period, the PRC government adopted reforms as the guiding principle leading to the normalization of national economy in a stable pace. The development of domestic railway transportation sector has progressed under the original schedule with projects implemented in an orderly manner. Investments in intercity railway construction projects have been slow down as compared to the past two years. Local governments have more concern on the actual progress of projects, the safety and reasonableness of overall transportation layout.

The Group implement the steady operation transformation policy which was set up in previous year, with focus on enhancing services for operation projects and clean up projects with expired warranty period. By implementing creative motivation mechanism among the research and development team, our product quality is improved and more adaptable to customer's requirement. For market development, the Group will not bid projects at low price in order to highlight its corporate brand. The Group gains the trust and reliance of customers with our high-quality products and services.

The Group's operating revenue for the current period is mainly from the implementation of contracts signed in previous year, for projects including 8 new lines from 7 overseas and domestic cities. Turnover for the current period approximately 6.37% decrease from that of the last corresponding period.

With the direction of the PRC government's economic policy and the promotion of the country's foreign policy, the Group believe that the railway transportation sector will receive investment resources from multi channel, projects export and overseas market will be increased compared to previous years, which will have positive impact on our operation. The Group is ready for its transformation and has enhanced the safety operation services with creativity in the industry. We believe that this will increase the Group's overall operating revenue and promote effectiveness.

Financial review

For the three months ended 30 June 2014, the Group's turnover was approximately HK\$22,029,000, which was decreased by around 6.37% as compared to the Last Corresponding Period, gross profit of approximately HK\$4,150,000 was recorded, with gross profit margin at 18.84%. Net profit attributable to equity shareholders of the Company was approximately HK\$2,760,000 and net loss of HK\$5,527,000 was recorded in the Last Corresponding Period.

During the period, the Group has delivered products to 8 lines in 7 cities in both overseas and domestic market as scheduled in the signed supply contract. Turnover has decreased by 6.37% as compared to Last Corresponding Period. On the other hand, system engineering maintenance expense incurred for products delivered which still under warranty period has decreased significantly and resulted in decrease in cost of goods sold. Gross profit has increased as compared to Last Corresponding Period with gross profit margin increased to 18.84%.

The Group's selling expenses have decreased by 65% from Last Corresponding Period. It mainly due to less projects were invited for tender during the period, and the decrease in corresponding market development activities and business and technical communication with train manufacturers and owners of subway also contribute to the decrease in selling expenses.

Administrative expenses have increased by 20% is mainly resulted from the classification of senior management salaries from sales to administration expenses following the restructuring of Guangzhou Global Link Communications Inc. in early 2014.

The increase in other income by HK\$1,791,000, representing 4.66 times increase from the Last Corresponding Period, is mainly caused by the reversal of provision for impairment of trade receivables and the increase in interest income and exchange gain.

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

As at 30 June 2014, so far as 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 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	Beneficial owner	175,773,600 ordinary shares Long position	18.29%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note)	8.26%
		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	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:

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 30 June 2014, so far as 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 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 30 June 2014, so far as 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 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 other members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Bright Cosmos Holdings Limited	Beneficial owner	79,347,600 ordinary shares Long position	8.26%

Note:

The entire issued share capital of Bright Cosmos Holdings Limited is held by Hu Zhi Jian.

Save as disclosed above, as at 30 June 2014, so far as is known to the Directors, there was no person 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 EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this announcement, as at 30 June 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 executives 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.

ISSUE OF UNLISTED WARRANTS

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. The Warrants will entitle each of the holders thereof to subscribe in cash up to an aggregate amount of HK\$39,060,000 for the warrant shares (the “**Warrant Share(s)**”) and each Warrant carry right to subscribe for one Share at an initial subscription price of HK\$0.21 per Share, for a period of 36 months commencing from the date of issue of the Warrants. Based on the initial subscription price of HK\$0.21 per Warrant Share, a maximum of 186,000,000 Warrant Shares will be allotted and issued by the Company and approximately 16.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares. The Warrant Shares issued upon exercise of the subscription rights attaching to the Warrants will be issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company convened and held on 9 August 2013. The completion of the subscription took place on 12 August 2014. For details of the issue of unlisted Warrants, please refer to the Company’s announcement dated 5 August 2014 and 12 August 2014.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors's 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 with 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 three months ended 30 June 2014.

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 three months ended 30 June 2014.

COMPETING INTERESTS

None of the Directors nor the substantial 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.

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. Investors may refer to the corporate governance report of the Group in its annual report for the year ended 31 March 2014 for details of the Group's corporate governance practices.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 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 three months ended 30 June 2014 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

By order of the Board

Ma Yuanguang

Chairman

Hong Kong, 13 August 2014

As at the date of this report, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Lo Kam Hon, Gary; the non-executive director of the Company is Mr. Wing Kee Eng, Lee; and the independent non-executive directors of the Company are Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung.