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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 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 three months ended 30 June 2010 was approximately HK\$28,194,000 representing approximately 150% increase from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company of approximately HK\$7,078,000 representing approximately 309% increase from that of the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010

The board of Directors (the “Board”) of Global Link Communications Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (“Global Link” or the “Group”) for the three months ended 30 June 2010 together with the unaudited comparative figures for the corresponding period in 2009 (“Last Corresponding Period”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2010

		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	2	28,194	11,290
Cost of revenue		<u>(16,281)</u>	<u>(6,455)</u>
Gross profit		11,913	4,835
Other income		45	27
Selling expenses		(1,715)	(1,497)
Administrative expenses		(2,034)	(1,181)
Finance costs		<u>(3)</u>	<u>(3)</u>
Profit before tax		8,206	2,181
Income tax	3	<u>(1,445)</u>	<u>(452)</u>
Profit for the period		6,761	1,729
Other comprehensive income:			
Exchange differences on translating foreign operation		<u>1,002</u>	<u>–</u>
Total comprehensive income for the period, net of tax		<u>7,763</u>	<u>1,729</u>
Profit (loss) attributable to:			
Equity holders of the Company		7,078	1,729
Minority interests		<u>(317)</u>	<u>–</u>
		<u>6,761</u>	<u>1,729</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		8,080	1,729
Minority interests		<u>(317)</u>	<u>–</u>
		<u>7,763</u>	<u>1,729</u>
Earnings per share (in HK cents):	5		
– Basic		<u>0.910</u>	<u>0.222</u>
– Diluted		<u>0.879</u>	<u>0.217</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

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the three months ended 30 June 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 three months ended 30 June 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 enterprise income tax ("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 three months ended 30 June 2010 was HK\$1,445,000 (2009: HK\$452,000).

There was no significant unprovided deferred taxation for the three months ended 30 June 2010.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 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 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	7,078	1,729
	777,474	777,474
	27,574	18,851
Weighted average number of ordinary shares for the purposes of diluted earnings per share	805,048	796,325

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 <i>(note a)</i>	Foreign currency translation reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	(Accumulated losses)/ retained earnings (unaudited) HK\$'000	Statutory reserves (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
Total comprehensive income for the period	-	-	-	-	-	1,729	-	1,729
Transfer to statutory reserves	-	-	-	-	-	(256)	256	-
As at 30 June 2009	<u>7,775</u>	<u>25,498</u>	<u>2,135</u>	<u>1,979</u>	<u>1,195</u>	<u>(10,337)</u>	<u>3,839</u>	<u>32,084</u>
As at 1 April 2010	7,775	25,498	2,135	1,979	1,195	2,559	5,649	46,790
Total comprehensive income for the period	-	-	-	1,002	-	7,078	-	8,080
Transfer to statutory reserves	-	-	-	-	-	(790)	790	-
As at 30 June 2010	<u>7,775</u>	<u>25,498</u>	<u>2,135</u>	<u>2,981</u>	<u>1,195</u>	<u>8,847</u>	<u>6,439</u>	<u>54,870</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 railway transportation industry has reached a high speed development period, with several express railway completed construction and started operation. Cities railway transportation projects in areas including Pearl River Delta, Yangtze River Delta and Bohaiwan have start-up investment and construction. With the remarkable demonstration effect in core cities including Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin, more than 40 cities have underground railway projects under construction. Enterprises in railway transportation related industries, have significant increases in their operating business. Under the country's increasing homemade ratio policy in the areas of railway transportation equipment, installations and whole train, enterprises in the industry all increased investment in self-creative technology and research and development. Resulting from that, homemade trains have competitive advantages over international brand in the areas of self-own intellectual property and technology. Train export has been shifted from ordinary whole train products to high-tech whole train products, the export of products in the whole of the train accessories has realized a continuous widening operating market.

During the period, the Group mainly executed supplying contracts signed with China South Locomotive and Rolling Stock Corporation Limited ("CSR") and the China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR") in 2009, including equipment delivery and project construction for more than 10 new, old lines in Beijing, Guangzhou, Wuhan, Sian, Shenzhen and Hong Kong. The Group's marketing, research and development, production and project department have reached the peak season. To timely develop its operation and expand the market share in the industry, the Group increased its budget and investment in sales area construction, equipment for research and development, project technician training and horizontal alliance. The timely expansion in human resources and office area have established a firm base for the Group's future development.

With the positive market prospect caused by the continuous increasing investment in the country's railway transportation construction, Global Link's products have been largely launched for actual operation in core cities. The system's advanced technology, stability and reliability were well recognised in the industry, which has a significant brand name impact for further market expansion.

The Group foresees, driven by the years of its remarkable operating results, that it will have a closer cooperation with train manufacturers and a wider room for development. In the coming months, it is expected that the Group will obtain more contracts in railway between cities, city railway and overseas market and a new market break through, which will enhance its operating result.

Financial review

For the three months ended 30 June 2010, the Group's turnover was approximately HK\$28,194,000, which increased by around 150% as compared to the Last Corresponding Period. Gross profit of approximately HK\$11,913,000 was recorded, with gross profit margin at 42% and is fairly stable compared to the Last Corresponding Period. Net profit attributable to equity shareholders of the Company was approximately HK\$7,078,000, represent 309% increase from the Last Corresponding Period.

During the period, the significant increase in turnover is mainly caused by the on schedule product delivery for contracts signed with CSR and CNR in last year. The impact of the enterprise's continuous investment in research and development for products and software solutions, have been progressively reflected in enhanced cost control, which kept the gross profit margin at an ideal level.

The increase in selling expenses is mainly resulted from more frequent business and technical communication with train manufacturers following the Group's market development and promotion activities. To cope with the Group's strategy in elaborating its core advantages, the Group will develop in domestic and overseas markets with its brand name and continuously increase the market share. In addition, GZGL has timely adjusted and enhanced the human resources for departments including sales, contracts execution and project services, and has adequately adjusted key staff salaries. As a result, administrative expenses has increased in the period.

During the period, the Group's turnover significant increased with gross profit margin kept at an ideal level, which resulted in a high increase in earnings.

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

As at 30 June 2010, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the 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	165,217,600 ordinary shares Long position	21.25%
		Beneficial owner	10,556,000 ordinary shares Long position (Note 1)	1.36%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position (Note 2)	10.21%
		Beneficial owner	8,889,000 ordinary shares Long position (Note 1)	1.14%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.02%

Name of director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position (Note 1)	0.36%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position (Note 1)	0.11%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.11%

Note:

1. Share options to subscribe for 10,556,000 shares, 8,889,000 shares, 2,778,000 shares and 833,000 shares of the Company were granted to Ma Yuanguang, Hu Zhi Jian, Wing Kee Eng, Lee and Hu Tiejun respectively pursuant to the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted and approved by the shareholders of the Company on 24 October 2002.
2. Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2010, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the 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 2010, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the 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
Leung Kin Man Kenny	Beneficial owner	49,130,000 ordinary shares Long position	6.32%

Save as disclosed above, as at 30 June 2010, so far 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 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 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.

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 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 three months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the member of the Group had purchased, sold or redeemed any of the shares of the Company during the three months ended 30 June 2010.

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 2010 for details of the Group's corporate governance practices.

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 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 2010 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, 11 August 2010

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.