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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 2012

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 2012 was approximately HK\$27,908,000 representing approximately 23% increase from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company of approximately HK\$4,181,000 representing approximately 11% increase from that of the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2012

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 2012 together with the unaudited comparative figures for the corresponding period in 2011 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	27,908	22,614
Cost of sales		<u>(18,739)</u>	<u>(14,868)</u>
Gross profit		9,169	7,746
Other revenue		229	1,591
Selling expenses		(1,906)	(2,326)
Administrative expenses		(2,383)	(2,329)
Finance costs		<u>–</u>	<u>(142)</u>
Profit before taxation		5,109	4,540
Income tax	3	<u>(1,071)</u>	<u>(889)</u>
Profit for the period		4,038	3,651
Other comprehensive income:			
Exchange differences on translating foreign operations		<u>(1,628)</u>	<u>–</u>
Total comprehensive income for the period		<u>2,410</u>	<u>3,651</u>
Profit attributable to:			
Equity shareholders of the Company		4,181	3,769
Non-controlling interests		<u>(143)</u>	<u>(118)</u>
		<u>4,038</u>	<u>3,651</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		2,553	3,769
Non-controlling interests		<u>(143)</u>	<u>(118)</u>
		<u>2,410</u>	<u>3,651</u>
Earnings per share (in HK cents):	5		
– Basic		<u>0.435</u>	<u>0.393</u>
– Diluted		<u>0.433</u>	<u>0.391</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

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the three months ended 30 June 2012 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 2012 (2011: 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. EIT tax charge for the three months ended 30 June 2012 was HK\$1,071,000 (2011: HK\$889,000).

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.

Except for Guangzhou GL and 勝億 as mentioned above, another subsidiary located in the PRC is subject to the PRC EIT at rate of 25% (2011: 25%) on its assessable profits.

There was no significant unprovided deferred taxation for the three months ended 30 June 2012.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2012 (2011: Nil).

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the three months ended 30 June 2012 of approximately HK\$4,181,000 (2011: HK\$3,769,000) and the weighted average number of approximately 960,808,000 ordinary shares (2011: 958,030,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2012 (Unaudited) '000	2011 (Unaudited) '000
Issued ordinary shares at 1 April	960,808	958,030
Effect of new shares issued	–	–
Effect of share options exercised	–	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<u>960,808</u>	<u>958,030</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the three months ended 30 June 2012 of approximately HK\$4,181,000 (2011: HK\$3,769,000) and the weighted average number of approximately 964,481,000 ordinary shares (2011: 963,001,000 ordinary shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012 (Unaudited) '000	2011 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	960,808	958,030
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	3,673	4,971
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<u>964,481</u>	<u>963,001</u>

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 <i>(note a)</i>	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 2011	9,580	58,652	2,135	5,858	1,195	31,821	5,649	114,890
Total comprehensive income for the period	-	-	-	-	-	3,769	-	3,769
As at 30 June 2011	<u>9,580</u>	<u>58,652</u>	<u>2,135</u>	<u>5,858</u>	<u>1,195</u>	<u>35,590</u>	<u>5,649</u>	<u>118,659</u>
As at 1 April 2012	9,608	58,725	2,135	9,281	1,195	42,284	8,559	131,787
Total comprehensive income for the period	-	-	-	(1,628)	-	4,181	-	2,553
As at 30 June 2012	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>7,653</u>	<u>1,195</u>	<u>46,465</u>	<u>8,559</u>	<u>134,340</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 European debt crisis, low level of economic recovery in the USA and high unemployment rate led the global economy to a down turn condition. The PRC government has implemented certain national policies to promote stable economic development, which mainly focus on stabilizing economic growth, enhancing industry transactions and improving people's living standard. The PRC government has implemented a series of policies to control the investment in railway transportation construction. Several projects which have been stopped or suspended were then resumed, with progress of underground railway projects in several cities been sped up.

Under the direction of national policies and corresponding investment being implemented, China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR") have increased their production plan and caused the increase in product delivery from suppliers in the industrial chain.

The Group keeps on delivery of train information system to CSR and CNR for more than 10 new/old lines in Beijing, Guangzhou, Wuhan, Hangzhou and Haerbin. New contracts have been signed for few local cities and overseas areas through market development.

The PRC government policies is to direct the continuous reform to promote a stable increase in GDP, investment and construction in railway transportation remains to be a main project under the Twelfth Five Year Plan. Several cities' underground railway construction plans have been approved by the National Development and Reform Commission, which will develop market demand for enterprises in the industry. The Group believes with its advantages over resources, it can capture more projects and bring in growth in turnover as compared to last year.

Financial review

For the three months ended 30 June 2012, the Group's turnover was approximately HK\$27,908,000, which was increased by around 23% as compared to the Last Corresponding Period. Gross profit of approximately HK\$9,169,000 was recorded, with gross profit margin at 33%. Net profit attributable to equity shareholders of the Company was approximately HK\$4,181,000, representing a 11% increase from the Last Corresponding Period.

During the period, with the resumption of projects following the adequate cash injection by the PRC government in the fourth quarter of 2011, nearly all underground railway projects were resumed in the quarter under review. CSR and CNR have sped up their production. The Group, as one of the major suppliers in the industrial chain, has correspondingly sped up its product delivery plan. The increase in turnover is resulted from the increase in quantity of train information system delivered to CSR and CNR.

To enhance its research and development edge, the Group has increased both the head count and staff remuneration, and resulted in increase in research and development expenses.

Following the IRIS authentication (International Railway Industry Standard), the Group has increased investment in overall quality control through increase in quality control staff and caused the increase in manufacturing expenses. To catch up the product delivery schedule, the Group has increased its production staff and over time expenses, resulted in increase in manufacturing expenses. Increase in research and development as well as manufacturing expenses has caused the decrease in gross profit margin by 1%.

Even selling expenses have decreased by 18%, the Group still focused on market development in the railway transportation industry and kept business and technical communication with train manufacturers and underground railway companies.

Administrative expenses have increased by 2% as a result of improved budget control.

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

As at 30 June 2012, 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%

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	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 2012, 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 2012, 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
Leung Kin Man Kenny	Beneficial owner	49,130,000 ordinary shares Long position	5.11%

Save as disclosed above, as at 30 June 2012, 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 report, as at 30 June 2012, 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 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 2012.

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 2012.

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 2012 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 2012 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 2012

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.