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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 2016

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 2016 was approximately HK\$12,427,000 representing approximately 19% increase from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company of approximately HK\$2,229,000 and net loss of HK\$4,878,000 was recorded in the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2016

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 2016 (“**Current Period**” or “**period**”) together with the unaudited comparative figures for the corresponding period in 2015 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	Note	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	2	12,427	10,434
Cost of sales		<u>(11,935)</u>	<u>(12,306)</u>
Gross profit		492	(1,872)
Other revenue		3,696	1,342
Selling expenses		(2,642)	(1,612)
Administrative expenses		(2,962)	(2,736)
Other operating expenses		<u>(813)</u>	<u>–</u>
(Loss) before taxation		(2,229)	(4,878)
Income tax	3	<u>–</u>	<u>–</u>
(Loss) for the period		(2,229)	(4,878)
Other comprehensive (loss):			
Exchange differences on translating foreign operations		<u>(748)</u>	<u>–</u>
Total comprehensive (loss) for the period		<u><u>(2,977)</u></u>	<u><u>(4,878)</u></u>
(Loss) attributable to:			
Equity shareholders of the Company		(2,229)	(4,878)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><u>(2,229)</u></u>	<u><u>(4,878)</u></u>
Total comprehensive (loss) attributable to:			
Equity shareholders of the Company		(2,977)	(4,878)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><u>(2,977)</u></u>	<u><u>(4,878)</u></u>
(Loss) per share (in HK cents):	5		
– Basic		<u><u>(0.119)</u></u>	<u><u>(0.448)</u></u>
– Diluted		<u><u>(0.119)</u></u>	<u><u>(0.448)</u></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

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. (2015: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("**Guangzhou GL**") was qualified as a high and new technology enterprise from October 2014 and was entitled to a concessionary rate of PRC enterprise income tax (the "**PRC EIT**") at 15% over 3 years.

Except for Guangzhou GL as mentioned above, remaining subsidiaries located in the PRC are subject to the PRC EIT rate of 25% (2015: 25%) on its assessable profits.

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 2016.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2016 (2015: 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 30 June 2016 of approximately HK\$2,229,000 (2015: approximately HK\$4,878,000) and the weighted average number of approximately 1,869,028,000 ordinary shares (2015: 1,088,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted (loss) per share

The basic and diluted loss per share are the same for three months ended 30 June 2016 and three months ended 30 June 2015, as the warrants outstanding during the period are anti-dilutive.

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	Warrant reserve (unaudited) HK\$'000	(Accumulated losses) (unaudited) HK\$'000	Statutory reserves (unaudited) HK\$'000 <i>(note b)</i>	Total (unaudited) HK\$'000
As at 1 April 2015	10,888	89,807	2,135	12,129	186	(38,773)	10,807	87,179
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(4,878)	-	(4,878)
As at 30 June 2015	<u>10,888</u>	<u>89,807</u>	<u>2,135</u>	<u>12,129</u>	<u>186</u>	<u>(43,651)</u>	<u>10,807</u>	<u>82,301</u>
As at 1 April 2016	10,888	89,807	2,135	10,693	186	(67,561)	10,807	56,955
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(2,229)	-	(2,229)
Other comprehensive loss								
Exchange differences on translating foreign operations	-	-	-	(748)	-	-	-	(748)
Issue of new shares	<u>10,000</u>	<u>69,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,175</u>
As at 30 June 2016	<u>20,888</u>	<u>158,982</u>	<u>2,135</u>	<u>9,945</u>	<u>186</u>	<u>(69,790)</u>	<u>10,807</u>	<u>133,153</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

Company Operation and Outlook

During the period under review, the National Development and Reform Commission and Ministry of Transport jointly published the 3-year Action Plan for Major Projects Construction of Transportation Facilities (《交通基礎設施重大工程建設三年行動計劃》), which explicitly states that 303 projects will be developed in priority from 2016-2018, covering railway, road and urban rail transit, etc. Pursuant to the plan, the preparatory work for 103 urban rail transit projects will be facilitated and more than 2,000 kilometers of urban rail transit route will be constructed, which will involve investments of approximately RMB1.6 trillion. Companies in the industrial chain will probably benefit from increased investments in the industry for the coming three years as it is expected that the investment of urban rail transit construction to be completed in the 13th 5-year plan will be 50%-70% more than that in the 12th 5-year plan.

During this quarter, the Group will still be primarily focusing on market expansion of urban rail transit and product delivery in accordance with contracts executed. Adhering to national economic development policy of promoting the structural reform at the supply side, the Group emphasized on system product innovation and perfection as well as improving the overall quality of its products delivered for the period, aiming at enhancing the execution of projects and sharpening the competitive edges by means of continuous market exploration. The Group has completed the verification of the first article of train delivered for new projects in cities such as Harbin and Guangzhou in the period.

It is a strategic arrangement for the Group to expand into the smart city industry for its operational restructuring. Development of smart city projects will benefit from the capital, technologies, products and market brought by INTERNATIONAL ELITE LTD. (Stock Code in HKEX: 1328) who has become a substantial shareholder of the Group through investment. Smart city construction is gradually coming into reality and strengthening the idea of “livelihood archives, livelihood cards, livelihood credits and livelihood service” put forward by the government of Panyu District of Guangzhou. Although spirit and time needed to put into the smart city projects in the preliminary development are more than previously expected, it is expected that the Group will carry out the projects by stages and in groups this year in light of the government’s beneficial service for residents and management of temporary rental housing, etc., gradually bringing the technical advantages into play.

In order to further expand the smart city projects, the Group actively exploits development opportunities in districts other than Panyu District in Guangdong Province from time to time and receive good feedbacks. Therefore, the Group is seeking the negotiation with the suitable business partners to design and realize the specific business plans, including studying with INTERNATIONAL ELITE LTD. the feasibility of authorization transfer of CA-SIM technology.

The core advantage of the Group in developing smart city projects are the implementation of “Internet +” in line with the e-government, beneficial service for residents and internet security issues of local governments across regions with the CA-SIM patented technology based on acquired mobile terminals. After extensive communication with relevant government departments, the proposals of the Group were highly praised and recognized for its advancement, practicability and the feature of sustainable operation and development. Various projects of the Group to be executed in this year will be in cooperation with local governments, which will lay a solid foundation for the Group’s extension of business focus.

Financial review

During the three months ended 30 June 2016, turnover of the Group was approximately HK\$12,427,000, representing an increase of 19% as compared to the corresponding period of previous year. The Group recorded a gross profit of approximately HK\$492,000 and gross profit margin of approximately 4%. Loss attributable to equity shareholders of the Company amounted to approximately HK\$2,229,000 in this quarter, as compared to a loss of HK\$4,878,000 for the corresponding period of previous year.

During the period under review, the Group delivered train information systems for projects entered into last year (including the southern extension of Line 4 as well as Line 7 and Line 9 of the Guangzhou Metro; the Fuzhou Metro; expansion of Line 2 as well as Line 6 of the Wuhan Metro) in accordance with the delivery schedules. The sales was increased by 19% as compared to that in the corresponding period of previous year and the material consumption rate was 74%. Research and development costs and manufacturing expenses which form part of cost of sales were HK\$3,034,000 and HK\$1,120,000.

Selling expenses of the Group for the period grew 64% from the corresponding period of previous year, which was mainly attributable to activities held more frequently to communicate with train manufacturers and metro owners for project tendering during the year. The increased selling expenses for the period were also generated by the promotion activities of CA-SIM access control for the smart city construction, such as recruitment of additional team members.

HK\$813,000 of the CA-SIM patent which had been licensed to the Group at the end of 2014 was amortised to other operation expenses in the quarter. Administrative expenses for the period were HK\$2,962,000, representing an increase of 8% as compared to that of the corresponding period of previous year.

Other revenue for the period was HK\$3,696,000, which was mainly attributable to recovery of account receivables in this quarter, for which allowance for doubtful debts had been provided.

Subscription Agreement and Mandatory General Offer

During the period under review, Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd. (stock code: 1328) (“**IEL**”) completed the subscription of 1,000,000,000 shares of the Company. For details please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016.

Pursuant to Rule 26.1 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, Honor Crest Holdings Limited is required to make an unconditional mandatory cash offer for all the issued shares of the Company (the “**Offer**”). For details please refer to the Company’s announcement dated 29 February 2016.

Subsequent to completion of the Offer, IEL and parties acting in concert with it were interested in total of 1,128,020,000 shares of the Company, representing approximately 54.00% of the entire issued share capital of the Company. For details please refer to the joint announcement of the Company and IEL dated 19 May 2016.

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

As at 30 June 2016, 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	255,121,200 ordinary shares Long position	12.21%

Save as disclosed above, as at 30 June 2016, 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 2016, 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
Honor Crest Holdings Limited ⁽¹⁾	Beneficial owner	1,000,020,000	47.87%
International Elite Ltd. ⁽²⁾	Beneficial owner	128,000,000	6.13%

Note:

- (1) Honor Crest Holdings Limited is a directly wholly-owned subsidiary of International Elite Ltd.
- (2) Our Director, Mr. Li Kin Shing, is the controlling shareholder of International Elite Limited

Save as disclosed above, as at 30 June 2016, 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 2016, 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 2016.

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 2016.

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, save as disclosed below. Investors may refer to the corporate governance report of the Group in its annual report for the year ended 31 March 2016 for details of the Group's corporate governance practices.

The code provision A2.1 of the Corporate Governance Code and Corporate Governance Report stipulates that the roles of the chairman of the Board and chief executive should be separate and should not be performed by the same individual. Mr. Ma Yuanguang was appointed as the chief executive of the Company with effect from 16 December 2014 and continued to be the chairman of the Board until his resignation as chairman of the Board on 26 May 2016. Appropriate measures have been taken to ensure the balance of power and authority between the Board and the management. Mr. Li Kin Shing was appointed as the chairman of the Board with effective from 26 May 2016.

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 three months ended 30 June 2016 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, 11 August 2016

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.