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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 2018

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

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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 (the “GEM Listing Rules”) of the Stock Exchange 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.

HIGHLIGHTS

Turnover for the three months ended 30 June 2018 was approximately HK\$24,982,000 representing an increase of approximately 7.7 times as compared to the Last Corresponding Period.

Loss attributable to equity shareholders of the Company of approximately HK\$1,349,000 and net loss of HK\$7,111,000 was recorded in the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2018

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 2018 (“**Current Period**” or “**period**”) together with the unaudited comparative figures for the corresponding period in 2017 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	2	24,982	2,870
Cost of sales		<u>(19,636)</u>	<u>(5,117)</u>
Gross profit		5,346	(2,247)
Other revenue		1,550	1,582
Selling expenses		(3,405)	(2,817)
Administrative expenses		(2,759)	(2,524)
Other operating expenses		<u>(1,993)</u>	<u>(1,105)</u>
(Loss) from operation		(1,261)	(7,111)
Finance costs		<u>(88)</u>	<u>–</u>
(Loss) before taxation		(1,349)	(7,111)
Income tax	3	<u>–</u>	<u>–</u>
(Loss) for the period		(1,349)	(7,111)
Other comprehensive (loss):			
Exchange differences on translating foreign operations		<u>(1,290)</u>	<u>292</u>
Total comprehensive (loss) for the period		<u>(2,639)</u>	<u>(6,819)</u>
(Loss) attributable to:			
Equity shareholders of the Company		(1,349)	(7,111)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(1,349)</u>	<u>(7,111)</u>
Total comprehensive (loss) attributable to:			
Equity shareholders of the Company		(2,639)	(6,819)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(2,639)</u>	<u>(6,819)</u>
(Loss) per share (in HK cents):	5		
– Basic		<u>(0.065)</u>	<u>(0.340)</u>
– Diluted		<u>(0.065)</u>	<u>(0.340)</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 (2017: Nil).

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("**Guangzhou GL**") was qualified as a high and new technology enterprise from October 2014 and extended in December 2017 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% (2017: 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 2018.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2018 (2017: 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 2018 of approximately HK\$1,349,000 (2017: approximately HK\$7,111,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2017: 2,088,808,000 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 2018 and three months ended 30 June 2017, 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 2017	20,888	158,967	2,135	9,184	186	(89,465)	10,807	112,702
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(7,111)	-	(7,111)
Other comprehensive loss								
Exchange differences on translating foreign operations	-	-	-	292	-	-	-	292
As at 30 June 2017	<u>20,888</u>	<u>158,967</u>	<u>2,135</u>	<u>9,476</u>	<u>186</u>	<u>(96,576)</u>	<u>10,807</u>	<u>105,883</u>
As at 1 April 2018	20,888	158,967	2,135	11,233	-	(96,133)	12,884	109,974
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(1,349)	-	(1,349)
Other comprehensive loss								
Exchange differences on translating foreign operations	-	-	-	(1,290)	-	-	-	(1,290)
As at 30 June 2018	<u>20,888</u>	<u>158,967</u>	<u>2,135</u>	<u>9,943</u>	<u>-</u>	<u>(97,482)</u>	<u>12,884</u>	<u>107,335</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 DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period under review, China's gross domestic product increased by 6.8% year-on-year and the tertiary sector of the economy increased 7.6% in the first half of the year. The economic data symbolizes the new industries underwent technological revolution and industrial transformation are continuously growing, and is gradually strengthening the lead role in socio-economic development of the entire region. Government at all levels persists intensive restructuring and opens up to promoting economic development, and at the same time, follows the basic strategy formulated in 2018 by safeguarding the baseline and preventing systemic risks to further leverage and strengthen supervision of finance and debt, and eventually guide the funds to gradually flow to the real economy. During the period, the China-United States trade war has become a serious concern to management of enterprises in various fields. More alert has been given to different sectors and are reflected from the market and the situation of relevant enterprises, which will leads to identifying the importance and urgency of the enterprise's core competitiveness establishment.

Smart City Construction continues to be the priority to which our Group keeps committing resources, during the period under review. Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) ("**Global Link Intelligent**") has completed the technical convergence of POS equipment, which is compatible with mobile phone CA-SIM People's Welfare Cards, of the bus in Panyu District. It will be officially launched for the bus in the district in the next quarter. The team utilizes People's Welfare Cards to cooperate with a number of merchants. It has now signed up with more than ten catering merchants to participate in the *Wollar* business alliance platform, and planned to expand to other service industries such as car beauty services and car parks. It is expected that users of mobile-phone People's Welfare Cards will increase in the next quarter.

During the period under review, Guangzhou GL continues to implement the original contract of the vehicular information system of rail links, which mainly consists of Guangzhou Metro Lines 14 and 21, Changsha Line 4, Wuhan Line 2 South Extension Line, Turkey Ankara Line, and the ETS and DMU lines in Malaysia. Several old operation projects with upgrades and spare parts are happening at the same time, therefore production and delivery works are relatively occupied. Given the heavy workload due to the substantial amount of system equipment that is needed to provide to owners, the corresponding product loading and commissioning, trial operation tests and various maintenance works, the workforce in the front line is insufficient.

It has been pointed out in the second meeting of the Central Financial and Economic Affairs Commission held recently that “the main core technology is nationally valuable and is very significant for promoting the positive national economic development as well as national security”. The Group has been consistently placing innovation at the top of its business operation, and has been making every effort especially on the application development of independent intellectual property product CA-SIM by actively integrating a great amount of resources and striving to demonstrate its technological aspects and core competitiveness as advantages in smart city construction.

Recently the General Office of the State Council of the People’s Republic of China issued the Suggestions for Further Strengthening the Management of Urban Rail Transit Planning and Construction (Guo Ban Fa [2018] No. 52), and this has shown the redefinition of the standards in No. 81 issued before 2015, and also reflected the specific measures taken by the government to prevent local debt risks. This will affect the industry’s expectation of the huge market for the industry chain that comes along with large-scale developments, but it should be effective for the planned implementation to take place as scheduled and fund protection. With the objectives of risk prevention and strengthening capital supervision declared by the PRC government, the construction of railway transportation connecting the main cities achieved spectacular results in terms of control in the first half of 2018, and will hereafter be more practical. Compared with previous years, the number of tendered projects has significantly decreased while less new supply contracts have been entered into among our peers in the industry.

The PRC government has adhered to its “One Belt, One Road” initiative with the objectives of opening up to the outside world with cooperation and investment. Given the impact derived from the China-US trade war, “railway transportation” being at the core of initiative, and possibly some other regional uncertainties over the market development, we will maintain attention to the national policy steer and relevant risk management measures before making any operating decisions.

FINANCIAL REVIEW

For the three months ended 30 June 2018, the Group’s turnover was approximately HK\$24,982,000, representing an increase of approximately 7.7 times as compared with approximately HK\$2,870,000 for the corresponding period of last year. Loss attributable to equity shareholders of the Company for the quarter amounted to approximately HK\$1,349,000, as compared to the loss of approximately HK\$7,111,000 for the corresponding period of last year.

The period under review was a peak term of products delivery for Changsha Line 4, Guangzhou Line 14/21, South Extension of Wuhan Line 2, Ankara of Turkey Project, Malaysia ETS and DMU Project etc. signed by the Group in previous periods. A large amount of the passenger information system products were delivered to the depot while spare parts and accessories were provided for existing projects under operation. The turnover has therefore increased significantly.

Selling expenses for the period were approximately HK\$3,405,000, representing an increase of approximately 21% as compared with the corresponding period of last year. The increase was mainly attributable to the Group's further enhancements in communication with its customers and related commercial activities, as well as strengthening the development of its sales team, with an aim to grasp the golden opportunities in the competitive market, where the PRC government implementing measures in risk prevention, strengthening capital monitoring, and conducting appropriate control on the construction of rail transits over major cities.

Administrative expenses were approximately HK\$2,759,000, representing an increase of approximately HK\$235,000 as compared with approximately HK\$2,524,000 in the corresponding period of last year.

Other operating expenses amounted to approximately HK\$1,993,000, which comprised of amortization of intangible assets of CA-SIM of HK\$813,000 and provisions of passenger information system product maintenance of HK\$1,180,000.

Other income amounted to approximately HK\$1,550,000, which was basically the same as that of the corresponding period of last year.

USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd. (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\$43.6 million had been utilised as at 30 June 2018. The breakdown of the Company’s actual use of the Subscription Proceeds as at 30 June 2018 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 30 June 2018 <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	21.4
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	16.1
Working capital	7.9	6.1
Total	79.0	43.6

Based on the current market condition, the Board is planning to utilise approximately HK\$11.0 million, HK\$11.2 million and HK\$2.4 million on (i) urban rail transit business projects, (ii) development of the “Smart City” projects and relevant research and development, and (iii) working capital, respectively, in the financial year ending 31 March 2019.

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

As at 30 June 2018, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

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

As at 30 June 2018, 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	Owner	10,556,000 ordinary shares Long position	0.51%
Li Kin Shing ⁽¹⁾	Company	Owner	450,645,016 ordinary shares Long position	21.57%
		Interest of corporation controlled by the director	931,139,120 ordinary shares Long position	44.58%
Wong Kin Wa	Company	Owner	420,000 ordinary shares Long position	0.02%

Note:

- (1) Mr. Li Kin Shing (“**Mr. Li**”) is personally interested in 363,216,976 shares. Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 87,428,040 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 interest in 57,456,000 shares. Therefore, Mr. Li is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO. Moreover as Mr. Li is the controlling shareholder of International Elite Ltd. (stock code: 1328), he is deemed interested in the 873,683,120 shares held directly and indirectly by International Elite Ltd. under the SFO. Accordingly, Mr. Li is deemed to be interested in aggregate 1,381,784,136 shares under the SFO.

Save as disclosed above, as at 30 June 2018, 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 2018, 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	745,683,120	35.70%
International Elite Ltd. ⁽²⁾	Beneficial owner	128,000,000	6.13%

Notes:

- (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 2018, 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 2018, 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 2018.

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 2018.

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 2018 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 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 2018 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 system in place are effective and adequate for the Group as a whole.

On behalf of the Board
LI Kin Shing
Chairman

Hong Kong, 13 August 2018

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.