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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 RESULT ANNOUNCEMENT 2013

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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This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.glink.hk.

HIGHLIGHTS

Turnover for the three months ended 30 June 2013 was approximately HK\$23,528,000 representing approximately 16% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company of approximately HK\$5,527,000 and net profit of HK\$4,181,000 was recorded in the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2013

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 2013 together with the unaudited comparative figures for the corresponding period in 2012 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2013

	<i>Note</i>	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	2	23,528	27,908
Cost of sales		<u>(22,647)</u>	<u>(18,739)</u>
Gross profit		881	9,169
Other revenue		384	229
Selling expenses		(3,208)	(1,906)
Administrative expenses		(2,044)	(2,383)
Finance costs		<u>–</u>	<u>–</u>
(Loss)/profit before taxation		(3,987)	5,109
Income tax	3	<u>(1,552)</u>	<u>(1,071)</u>
(Loss)/profit for the period		(5,539)	4,038
Other comprehensive (loss)/income:			
Exchange differences on translating foreign operations		<u>(35)</u>	<u>(1,628)</u>
Total comprehensive (loss)/income for the period		<u>(5,574)</u>	<u>2,410</u>
(Loss)/profit attributable to:			
Equity shareholders of the Company		(5,527)	4,181
Non-controlling interests		<u>(12)</u>	<u>(143)</u>
		<u>(5,539)</u>	<u>4,038</u>
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		(5,562)	2,553
Non-controlling interests		<u>(12)</u>	<u>(143)</u>
		<u>(5,574)</u>	<u>2,410</u>
(Loss)/earnings per share (in HK cents):	5		
– Basic		<u>(0.575)</u>	<u>0.435</u>
– Diluted		<u>N/A</u>	<u>0.433</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:

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current year provision:		
PRC enterprise income tax	609	1,071
Deferred taxation		
Origination and reversal of temporary differences	943	—
	<u>1,552</u>	<u>1,071</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. (2012: 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.

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% (2012: 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 2013.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2013 (2012: Nil).

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 30 June 2013 of approximately HK\$5,527,000 (2012: consolidated profit attributable to equity shareholders of the Company of approximately HK\$4,181,000) and the weighted average number of approximately 960,808,000 ordinary shares (2012: 960,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted (loss)/earnings per share

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.

The calculation of diluted (loss)/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 and the weighted average number of approximately 964,481,000 ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 (Unaudited) '000	2012 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	N/A	960,808
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	<u>N/A</u>	<u>3,673</u>
Weighted average number of ordinary shares (diluted) for the purpose of diluted (loss)/earnings per share	<u><u>N/A</u></u>	<u><u>964,481</u></u>

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000 (note a)	Exchange reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Statutory reserves (unaudited) HK\$'000 (note b)	Total (unaudited) HK\$'000
As at 1 April 2012	9,608	58,725	2,135	9,281	1,195	42,284	8,559	131,787
Profit attributable to equity shareholders of the Company for the period	-	-	-	-	-	4,181	-	4,181
Other comprehensive (loss)/income Exchange differences on translating foreign operations	-	-	-	(1,628)	-	-	-	(1,628)
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>
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>

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 has adopted policies to ensure stable growth, adjust the structure and promoting the reform as the guiding principle for economic growth. Previously short term policies to stimulate GDP growth were replaced with reform to adjust the economic structure. In the first half year, GDP still maintained a steady growth at 7.5% as compared to last corresponding period. Leading by the national relevant policies, construction of rail transit continued as scheduled in the Twelfth Five Year Plan. The number of new lines of urban rail transit that commenced construction has notable increase as compared to previous year, and tenders for train purchase orders from new lines also present an increasing trend.

During the period, major features the Group's operation were: firstly, actively bid for train information system projects for both new and existing lines and successfully obtained supply contracts for several cities. Secondly, address engineering services optimisation for several implemented projects and upgrading the relevant system functions to provide more reliable and safety operation services based on the relevant requirements of the owners. Finally, extensive investment in innovation and research and development for train safety operation as well as for the establishment of a new system solution to explore new passenger and operation services.

During the period, the Group's revenue mainly from implementation of supply contracts signed in previous year, system equipments have been delivered for around 10 lines in several cities. However, the scheduled delivery quantity was comparatively lower than that in the last corresponding period and caused decrease in turnover. And the investment to enhance system services protection also have negative impact on earnings for the current period.

Under the direction of the PRC government's economic policies, the Group believes investment in rail transit will last for several years. The Group's train information system will keep high market share in the industry and the Group will explore new market with its creative system and services for the Group's future revenue.

Financial review

For the three months ended 30 June 2013, the Group's turnover was approximately HK\$23,528,000, which was decreased by around 16% as compared to the Last Corresponding Period, gross profit of approximately HK\$881,000 was recorded, with gross profit margin at 4%. Net loss attributable to equity shareholders of the Company was approximately HK\$5,527,000 and net profit of HK\$4,181,000 was recorded in the Last Corresponding Period.

During the period, the Group has delivered train information system to several cities as scheduled in the signed supply contracts. However, as less shipments were scheduled in the current period and resulted in decrease in total quantity delivered as compared to last corresponding period as well as the decrease in turnover.

On the other side, addressed engineering services optimisation for several implemented projects and upgraded the relevant system functions to provide more reliable operation safety services based on the relevant requirements of the owners have caused additional materials consumption and project services. And the extensive investment in innovation and research and development for the establishment of a new system solution to explore new passenger services have caused the increase in research and development expenses. Operating costs for the current period were increased and caused the decrease in gross profit margin.

During the period, the Group's selling expenses have increased by 68% as compared to last corresponding period, and is mainly resulted from more market development activities and more frequent business and technical communication with train manufacturers and owners of subway in several cities. These activities were for the tenders in the second half year.

Administrative expenses have decreased by 14% as compared to last corresponding period as a result of effective expenses control.

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

As at 30 June 2013, 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 2013, 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 2013, 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 Zbi jian.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 2013.

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 2013.

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 2013 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 2013 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 2013

As at the date of this announcement, 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.