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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 2017

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 2017 was approximately HK\$2,870,000 representing approximately 77% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company of approximately HK\$7,111,000 and net loss of HK\$2,229,000 was recorded in the Last Corresponding Period.

UNAUDITED FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2017

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 2017 (“**Current Period**” or “**period**”) together with the unaudited comparative figures for the corresponding period in 2016 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	2	2,870	12,427
Cost of sales		<u>(5,117)</u>	<u>(11,935)</u>
Gross profit		(2,247)	492
Other revenue		1,582	3,696
Selling expenses		(2,817)	(2,642)
Administrative expenses		(2,524)	(2,962)
Other operating expenses		<u>(1,105)</u>	<u>(813)</u>
(Loss) before taxation		(7,111)	(2,229)
Income tax	3	<u>—</u>	<u>—</u>
(Loss) for the period		(7,111)	(2,229)
Other comprehensive (loss):			
Exchange differences on translating foreign operations		<u>292</u>	<u>(748)</u>
Total comprehensive (loss) for the period		<u>(6,819)</u>	<u>(2,977)</u>
(Loss) attributable to:			
Equity shareholders of the Company		(7,111)	(2,229)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(7,111)</u>	<u>(2,229)</u>
Total comprehensive (loss) attributable to:			
Equity shareholders of the Company		(6,819)	(2,977)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(6,819)</u>	<u>(2,977)</u>
(Loss) per share (in HK cents):	5		
– Basic		<u>(0.340)</u>	<u>(0.119)</u>
– Diluted		<u>(0.340)</u>	<u>(0.119)</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 (2016: 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% (2016: 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 2017.

4. DIVIDEND

The Board does not recommend an interim dividend for the three months ended 30 June 2017 (2016: 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 2017 of approximately HK\$7,111,000 (2016: approximately HK\$2,229,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2016: 1,869,028,000 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 2017 and three months ended 30 June 2016, 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 (note a)	Exchange reserve (unaudited) HK\$'000	Warrant reserve (unaudited) HK\$'000	(Accumulated losses) (unaudited) HK\$'000	Statutory reserves (unaudited) HK\$'000 (note b)	Total (unaudited) HK\$'000
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	10,000	69,175	-	-	-	-	-	79,175
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>
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>

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

Corporate Operation and Prospect

During the period under review, China's second-quarter GDP growth rate for 2017 has reached 6.9%, outperforming the estimation of various authoritative organizations. While adhering to its deleveraging control and regulation enhancement in financial market, the Chinese Government also placed more emphasis on supporting its real economy by means of implementing relevant policies and performing specific reformatory measures. Amid the recovery of external demands and improving internal demands, the Chinese economy has gained a strong growth with stable employment landscape. The first Belt and Road Forum for International Cooperation was held in Beijing from 14 to 15 May 2017. The principle of "engaging in extensive consultation, making joint contribution and sharing benefits" highlights the objective of achieving mutual benefit by practical concrete cooperation, which is significantly important to the promotion of international and regional cooperation.

During the quarter, the construction of Smart City remained as the focus of the Group's business development and investment. Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) ("**GZ GL Intelligent**") mainly involves following projects:

1. Panyu mobile phone CA-SIM people's welfare cards (民生卡) (the "**People's Welfare Card**") project: tests regarding the issuance procedure of People's Welfare Card, operating environment and the compatibility of the People's Welfare Card's offline wallet, etc. have been conducted together with Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) ("**Guangzhou Xinghai**"), a government-related company, and mobile phone operators, thereby, the project is well-positioned to proceed the People's Welfare Card issuance;
2. Integrating the construction of public service station that providing convenient services by the government of Panyu District with installation the face detection access control system in various stations, which were completed and come into trial operation. Meanwhile, the launch of several hundreds of service station projects are being planned;
3. In line with the promotion of People's Welfare Card in Panyu District's tourism attractions, implementing progressively the compatibility solution for the application of CA-SIM fare collection system and People's Welfare Card on the gates of respective attractions. In the meantime, it is expected to introduce the model of sharing economy, so as to enhance the tourists' sightseeing experience in these areas.

During the period, Guangzhou Global Link Communications Inc. (廣州國聯通信有限公司) (“**Guangzhou GL**”), the subsidiary of the Group, remains engaged in providing overall solution for rail transit information systems as its major business. The operation and marketing of the company mainly including: (1) the provision of operation and maintenance as well as engineering service for a number of projects in operation for over ten cities and dozens routes. On 15 May, the first train of Pakistan Lahore Rail Transit Orange Line Project, for which the enterprise provided rail transit information systems, was moved off the assembly line of CRRC Zhuzhou Electric Locomotive Co., Ltd., representing the service of Guangzhou GL has tapped in another country under the national strategy of “The Belt and Road Initiative”. (2) continuing investments on innovative research and development to satisfy the new requests of CRRC Zhuzhou Electric Locomotive Co., Ltd. and relevant owners. During the period, the relevant application of Wuhan Metro Line 2 Extension project was completely developed, and accepted and passed the verification of the first application conducted through metro operation and by professional technicians of CRRC Changchun Railway Vehicles Co., Ltd. (中車長客軌道車輛有限公司). (3) under the close cooperation of the marketing and technical team, the company has secured new order contracts in provincial capital cities and Southeast Asian countries which participating the “The Belt and Road Initiative”, thereby creating certain competitive advantages to further expand its footholds in the market.

Along with the launch and operation of several Smart City projects, the Group has greatly achieved the transformation and upgrade of its overall business strategies. Driven by the reformatory policies implemented by the local governments, the Group will have a closer cooperation with relevant governments in terms of operation system, model and resource sharing etc., and the results of relevant patents will also be fully applied in the construction of the Smart City.

Financial review

During the three months ended 30 June 2017, turnover of the Group was approximately HK\$2,870,000, representing a decrease of 77% as compared to the corresponding period of previous year, which was approximately HK\$12,427,000. Loss attributable to equity shareholders of the Company amounted to approximately HK\$7,111,000 in this quarter, as compared to a loss of HK\$2,229,000 for the corresponding period of previous year

During the period under review, the passenger information system products for projects in Wuhan, Guangzhou and Turkey, which the Group has secured in last period, are still in the production and preparation stage and yet to commence the supply. Revenue for the period were mainly attributable to the supply of spare parts only. Without recorded bulk delivery of passenger information system products during the period, revenue for the period substantially decreased as compared with the corresponding period of the previous year.

Selling expenses for the period slightly grew 7% from approximately HK\$2,642,000 for the corresponding period of previous year to HK\$2,817,000, which was mainly attributable to satisfactory cost control of marketing investment by the Group.

Administrative expenses decreased by HK\$438,000 or approximately 15% to HK\$2,524,000, as compared to the HK\$2,962,000 for corresponding period of previous year. It was mainly attributable to the Group's strict implementation of the annual expense budget.

Other operating expenses were approximately HK\$1,105,000, which comprises amortization of intangible assets of CA-SIM with approximately HK\$813,000 and provisions of passenger information system product maintenance with approximately HK\$292,000.

Other revenue for the period decreased by 57%, mainly due to the reduce of the amount of allowance for doubtful debts in this quarter compared with corresponding period of previous 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\$16.2 million had been utilised as at 30 June 2017. The breakdown of the Company’s actual use of the Subscription Proceeds as at 30 June 2017 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 2017 <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	4.8
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	8.5
Working capital	7.9	2.9
Total	<u>79.0</u>	<u>16.2</u>

Based on the current market condition, the Board is planning to utilise approximately HK\$9.3 million, HK\$10.0 million and HK\$2.7 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 2018.

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

As at 30 June 2017, 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 2017, 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 2017, 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 2017, 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 2017, 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 2017, 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 2017.

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 2017.

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 2017 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 2017 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.

By order of the Board
Li Kin Shing
Chairman

Hong Kong, 11 August 2017

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.