BROWN FORMAN CORP
Form 10-K
June 16, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended April 30, 2016
OR	
¨	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File Number 002-26821

BROWN-FORMAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	61-0143150
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
850 Dixie Highway Louisville, Kentucky	40210
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (502) 585-1100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock (voting) $0.15 par value	New York Stock Exchange
Class B Common Stock (nonvoting) $0.15 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨
No þ

The aggregate market value, as of the last business day of the most recently completed second fiscal quarter, of the voting and nonvoting equity held by nonaffiliates of the registrant was approximately $15,400,000,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 31, 2016, was:

Class A Common Stock (voting) 84,509,838
Class B Common Stock (nonvoting) 112,418,105

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Registrant for use in connection with the Annual Meeting of Stockholders to be held July 28, 2016, are incorporated by reference into Part III of this report.

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Forward-Looking Statement Information. Certain matters discussed in this report, including the information presented in Part II under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contain statements, estimates, and projections that are “forward-looking statements” as defined under U.S. federal securities laws. Words such as “aim,” “anticipate,” “aspire,” “believe,”, “can,” “continue,” “could,” “envision,” “estimate,” “ex “expectation,” “intend,” “may,” “might,” “plan,” “potential,” “project,” “pursue,” “see,” “seek,” “should,” “will,” “would,” anc identify forward-looking statements, which speak only as of the date we make them. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I under “Item 1A. Risk Factors” and those described from time to time in our future reports filed with the Securities and Exchange Commission, including:

- Unfavorable global or regional economic conditions, and related low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, deflation, lower returns on pension assets, or lower discount rates for pension obligations
- Risks associated with being a U.S.-based company with global operations, including commercial, political, and financial risks; local labor policies and conditions; protectionist trade policies or economic or trade sanctions; compliance with local trade practices and other regulations, including anti-corruption laws; terrorism; and health pandemics
- Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar
- Changes in laws, regulations, or policies – especially those that affect the production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products
- Tax rate changes (including excise, sales, VAT, tariffs, duties, corporate, individual income, dividends, capital gains) or changes in related reserves, changes in tax rules (for example, LIFO, foreign income deferral, U.S. manufacturing, and other deductions) or accounting standards, and the unpredictability and suddenness with which they can occur
- Dependence upon the continued growth of the Jack Daniel’s family of brands
- Changes in consumer preferences, consumption, or purchase patterns – particularly away from larger producers in favor of smaller distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; bar, restaurant, travel, or other on-premise declines; shifts in demographic trends; or unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation
- Decline in the social acceptability of beverage alcohol in significant markets
- Production facility, aging warehouse, or supply chain disruption
- Imprecision in supply/demand forecasting
- Higher costs, lower quality, or unavailability of energy, water, raw materials, product ingredients, labor, or finished goods
- Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher implementation-related or fixed costs
- Inventory fluctuations in our products by distributors, wholesalers, or retailers
- Competitors’ consolidation or other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing, or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets or distribution networks
- Risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, or termination difficulties or costs, or impairment in recorded value
- Inadequate protection of our intellectual property rights
- Product recalls or other product liability claims; or product counterfeiting, tampering, contamination, or product quality issues
- Significant legal disputes and proceedings; or government investigations

- Failure or breach of key information technology systems
- Negative publicity related to our company, brands, marketing, personnel, operations, business performance, or prospects
- Failure to attract or retain key executive or employee talent
- Our status as a family "controlled company" under New York Stock Exchange rules

Use of Non-GAAP Financial Information. Certain matters discussed in this report, including the information presented in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," include measures that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP, and also may be inconsistent with similarly-titled measures presented by other companies. In Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we present the reasons we use these measures under the heading, "Non-GAAP Financial Measures," and we present reconciliations of these measures to the most closely comparable GAAP measures under the heading "Results of Operations – Year-Over-Year Comparisons."

PART I

Item 1. Business

Overview

Brown-Forman Corporation (the "Company," "Brown-Forman," "we," "us," or "our" below) was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and later incorporated under the laws of the Commonwealth of Kentucky in 1901. We primarily manufacture, bottle, import, export, market, and sell a wide variety of alcoholic beverages under recognized brands. We employ over 4,600 people on six continents, including about 1,300 people in Louisville, Kentucky, USA, home of our world headquarters. We are the largest American-owned spirits and wine company with global reach. We are a "controlled company" under New York Stock Exchange rules, and the Brown family owns a majority of our voting stock.

For a discussion of recent developments, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary – Overview."

Brands

Beginning in 1870 with Old Forester Bourbon Whisky – our founding brand – and spanning the generations since, we have built a portfolio of more than 40 spirit, wine, and ready-to-drink cocktail (RTD) brands that includes some of the best-known and most-loved trademarks in our industry. The most important brand in our portfolio is Jack Daniel's Tennessee Whiskey, which is the fourth-largest spirits brand of any kind and the largest American whiskey brand in the world, according to Impact Databank's "Top 100 Premium Spirits Brands Worldwide" list.[1] In its third year on the list, Jack Daniel's Tennessee Honey is the second-largest-selling flavored whiskey on the Worldwide Impact list, selling over 1.5 million nine-liter cases in calendar year 2015, up 13% from the prior calendar year.[1] Additionally, Jack Daniel's Tennessee Fire was designated as an Impact "Hot Brand"[1] in its first full calendar year (2015). Our other leading global brands on the Worldwide Impact list are Finlandia, the ninth-largest-selling vodka; Canadian Mist, the fourth-largest-selling Canadian whisky; and el Jimador, which is the fourth-largest-selling tequila and designated as an Impact "Hot Brand"[1].

Principal Brands

Jack Daniel's Tennessee Whiskey	Woodford Reserve Kentucky Bourbons
Jack Daniel's RTDs	el Jimador Tequilas
Jack Daniel's Tennessee Honey	el Jimador New Mix RTDs
Gentleman Jack Rare Tennessee Whiskey	Herradura Tequilas
Jack Daniel's Tennessee Fire	Canadian Mist Canadian Whisky
Jack Daniel's Single Barrel Collection[2]	Sonoma-Cutrer California Wines
Jack Daniel's Sinatra Select	Early Times Kentucky Whisky and Bourbon
Jack Daniel's Winter Jack	Chambord Liqueur
Jack Daniel's No. 27 Gold Tennessee Whiskey	Old Forester Kentucky Bourbon
Finlandia Vodkas	Antiguo Tequila
Finlandia RTDs	Pepe Lopez Tequila
Korbel California Champagnes[3]	Santa Dose Cachaça
Korbel California Brandy[3]	Collingwood Canadian Whisky

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2015 Brand Highlights" for details on the performance of our brands.

[1] Impact Databank, a well-known U.S. trade publication, published

these industry statistics in March 2016.

[2]The Jack Daniel’s Single Barrel Collection includes Jack Daniel’s Single Barrel Select, Jack Daniel’s Single Barrel Barrel Proof, Jack Daniel’s Single Barrel Rye, and Jack Daniel’s Single Barrel 100 Proof.

[3]While Korbel is not an owned brand, we sell Korbel products under contract in the United States and other select markets.

Our vision in marketing is to "be the best brand builders in the industry." We build our brands by investing in programs that we believe create enduring connections with our consumers. These programs cover a wide spectrum of activities, including media (TV, radio, print, outdoor, and, increasingly, digital and social media), consumer and trade promotions, sponsorships, and visitor center programs at our distilleries and our winery. We expect to grow our sales and profits by consistently delivering creative, responsible marketing programs that drive brand recognition, brand trial, brand loyalty, and, ultimately, consumer demand around the world.

Markets

We sell our products in approximately 160 countries around the world. The United States, our largest, most important market, accounted for 46% of our net sales in fiscal 2016. Our largest international markets include the United Kingdom, Australia, Mexico, Germany, Poland, France, Turkey, Russia, Canada, and Brazil. Over the last 10 years, we have greatly expanded our international footprint. In fiscal 2016, we generated 54% of our net sales outside the United States compared to 41% ten years ago. The U.S. proportion of net sales has grown from fiscal 2014 to fiscal 2016, mainly due to the negative impact of foreign exchange on our international business. We present the percentage of total net sales by geographic area for our most recent three fiscal years and, to provide historical context, fiscal 2006, below:

Percentage of Total Net Sales by Geographic Area

	Year ended April 30				
	2006	...	2014	2015	2016
United States	59 %	...	41 %	43 %	46 %
International:		...			
Europe		...	32 %	31 %	31 %
Australia		...	12 %	11 %	9 %
Other		...	15 %	15 %	14 %
Total International*	41 %	...	59 %	57 %	54 %
TOTAL	100%		100%	100%	100%

Note: Totals may differ due to rounding

For details about net sales in our largest markets, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Fiscal 2016 Market Highlights." For details about our reportable segment and for additional geographic information about net sales and long-lived assets, refer to Note 14 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data." For details on risks related to our global operations, see "Item 1A. Risk Factors."

Distribution Network and Customers

Our distribution network, which we sometimes refer to as our "route-to-consumer" (RTC), takes a variety of forms, depending on (a) a market's laws and regulatory framework for trade in beverage alcohol, (b) our assessment of a market's long-term attractiveness and competitive dynamics, (c) the relative profitability of distribution options available to us, (d) the structure of the retail and wholesale trade in a market, and (e) our portfolio's development stage in a market. As these factors change, we evaluate our RTC strategy and, from time to time, adapt our model.

In the United States, which generally prohibits wine and spirits manufacturers from selling their products directly to consumers, we sell our brands either to distributors or (in states that directly control alcohol sales) to state governments that then sell to retail customers and consumers.

Outside the United States, we use a variety of RTC models. We own and operate distribution companies in 13 markets: Australia, Brazil, Canada, China, the Czech Republic, France, Germany, Hong Kong, South Korea, Mexico, Poland, Thailand, and Turkey. In these markets, and in a large portion of the travel retail channel, we sell our products directly to retailers, to wholesalers, or, in Canada, to provincial governments. In fiscal 2017, we plan to establish a new distribution company in Spain, which we expect to begin operating in fiscal 2018. In the United Kingdom, we partner in a cost-sharing arrangement with another supplier, Bacardi Limited, to sell a portfolio of both companies' brands. In many other markets, including Italy, Japan, Russia, and South Africa, we rely on others to distribute our brands, generally under fixed-term distribution contracts.

We believe that our customer relationships are good. We believe our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations.

Seasonality

Holiday buying makes the fourth calendar quarter the peak season for our business. For the fiscal years ended April 30, 2014, 2015, and 2016, approximately 32% of our net sales were in the fourth calendar quarter.

Competition

Trade information indicates that we are one of the largest global suppliers of premium spirits and wine. According to International Wine & Spirit Research (the IWSR), for calendar year 2015, the ten largest global spirits companies controlled less than 20% of the total global market for spirits (on a volume basis). While we believe that the overall market environment offers considerable growth opportunities for us, our industry is now, and will remain, highly competitive. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but most of our brands compete primarily in the industry's premium-and-higher price categories. Our competitors include major global wine and spirits companies, such as Bacardi Limited, Beam Suntory Inc., Davide Campari-Milano S.p.A., Diageo PLC, LVMH Moët Hennessy Louis Vuitton SE, Pernod Ricard SA, and Rémy Cointreau SA. In addition, particularly in the United States, we increasingly compete with (a) national companies, and (b) entrepreneurs, many of whom are recent entrants to the industry – typically with small-batch or craft spirit brands.

Brand recognition, brand provenance, quality of product and packaging, availability, taste, and price affect consumers' choices among competing brands in our industry. Several factors influence consumers' buying decisions, including: advertising; promotions; merchandising in bars, restaurants, and shops; expert or celebrity endorsement; social media and word-of-mouth; and the timing and relevance of new product introductions. Although some competitors have substantially greater resources than we do, we believe that our competitive position is strong, particularly as it relates to brand recognition, quality, availability, and relevance of new product introductions.

Ingredients and Other Supplies

The principal raw materials used in manufacturing and packaging our distilled spirits are water, corn, rye, malted barley, agave, sugar, glass, cartons, PET (polyethylene terephthalate, a polymer used in non-glass containers), labels, and wood for barrels (used for storing whiskey and some tequilas). The principal raw materials used in liqueurs are neutral spirits, sugar, and wine, while the principal raw materials used in our RTD products are sugar, flavorings, neutral spirits, whiskey, tequila, and malt. The principal raw materials used in producing wines are grapes, packaging materials, and wood barrels. Our grape supply comes from a combination of our California vineyards and contracts with independent growers. We believe that our relationships with our growers are good. Currently, none of these raw materials is in short supply, but shortages could occur. From time to time, our agricultural ingredients (corn, rye, malted barley, agave, and grapes) could be adversely affected by weather and other forces that might constrain supply.

Whiskeys, certain tequilas, and other distilled spirits must be aged. Because we must schedule production to meet demand for these products years in the future, our inventories of them may be larger in relation to sales and total assets than in many other businesses.

For details on risks related to the availability of raw materials and the uncertainty inherent in forecasting supply and demand, refer to "Item 1A. Risk Factors."

Intellectual Property

Our intellectual property rights include trademarks, copyrights, proprietary packaging and trade dress, proprietary manufacturing technologies, know-how, and patents. Our intellectual property, especially our trademarks, is essential to our business. We register our trademarks broadly – some of them in every country where registration is possible. We register others where we sell or expect to sell our products. We protect our intellectual property rights vigorously but fairly. We have licensed some of our trademarks to third parties for use with services or on products other than alcoholic beverages, which we believe enhances the awareness and protection of our brands.

For details on risks related to the protection of our intellectual property, refer to "Item 1A. Risk Factors." For details on our most important brands, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2016 Brand Highlights."

Regulatory Environment

Federal, state, local, and foreign authorities regulate the production, storage, transportation, distribution, and sale of our products. Some countries and local jurisdictions prohibit or restrict the marketing or sale of distilled spirits in whole or in part.

In the United States, at the federal level, the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury regulates the wine and spirits industry with respect to the production, blending, bottling, labeling, sales, advertising, and transportation of beverage alcohol. Similar regulatory regimes exist at the state level and in most of the non-U.S. jurisdictions where we sell our products. In addition, distilled spirits products are subject to customs duties or excise taxation in many countries, including in the United States, at the federal, state, and local level.

Under U.S. federal regulations, bourbon and Tennessee whiskeys must be aged in new charred oak barrels for at least two years; we typically age our whiskeys three to six years. Federal regulations also require Canadian whisky to be manufactured in Canada in compliance with Canadian laws. Mexican authorities regulate the production and bottling of tequilas; they mandate minimum aging periods for extra anejo (three years), anejo (one year), and reposado (two months) tequilas. We comply with these regulations.

Our operations are subject to various environmental protection statutes and regulations, and our policy is to comply with them.

Strategy

Six years ago, we introduced our “Brown-Forman 150” long-term strategy, focused on driving sustainable growth toward our 150th anniversary in 2020. The B-F Arrow articulates our core principles: our purpose as well as the vision, values, and behaviors that we expect our employees to embrace and exhibit.

While these core principles are a constant and powerful means of connecting our stakeholders to a shared vision of “Building Forever”, we continue to refresh our strategies to reflect current realities. The strategic ambitions described below both demonstrate a sustained focus on several drivers of our recent growth, which we believe remain relevant, and acknowledge the new and changing opportunities of today.

We seek to build brands and businesses that can create shareholder value – ones that deliver strong growth, solid margins, and high returns. In addition, given our growing size and scale, we focus on building brands that can be meaningful for our company over time. Our first priority is to grow our premium spirits portfolio organically. But as opportunities arise, we will pursue innovation and consider acquisitions and partnerships that meet our rigorous quantitative and qualitative criteria.

The Jack Daniel’s family of brands, including Jack Daniel’s Tennessee Whiskey, is our most valuable asset. We will always work to keep Jack Daniel’s Tennessee Whiskey strong, healthy, and relevant to consumers worldwide, and to take advantage of the abundant opportunities for growing the Jack Daniel’s family of brands across markets, price points, channels, and consumer groups. As product innovation has become increasingly important to the brand in recent years, we will continue to evaluate opportunities to grow the Jack Daniel’s family of brands through thoughtful new product introductions, such as our U.S. launch of Jack Daniel’s Tennessee Fire and our recent introduction of Jack Daniel’s Single Barrel Rye.

We are the global leader in American whiskey, and we will continue to pursue growth in the broader global, premium whiskey category. We believe that we can leverage our whiskey-making knowledge, production assets, trademarks, and brand- building skills to accomplish this objective. We will focus first on the global growth of our most important whiskey, Jack Daniel’s. In addition, we expect to generate excellent growth for our other whiskey brands around the world, particularly Woodford Reserve and Old Forester, which have both experienced rapid growth in recent years.

We aim to grow Finlandia, el Jimador, and Herradura. We plan to focus primarily on growing Finlandia in Poland and Eastern Europe. We will work to expand the reach of Herradura tequila to new consumers, emphasizing Mexico, the United States, and other high-potential markets. We have taken steps to reposition el Jimador tequila as a more premium brand in Mexico, its largest market by volume. As a result, volumes have declined over the past couple of years in Mexico, though we expect the brand's overall performance to improve there over time. In the United States and select international markets, we continue to experience solid growth with el Jimador, and we believe in this brand's long-term potential.

We recently announced the launch of Coopers' Craft, our first new bourbon trademark in more than 20 years, which we will begin selling in select United States markets in July 2016. We are in the development stage of our Slane Irish Whiskey brand, which we anticipate launching in the spring of 2017. Lastly, on June 1, 2016, we acquired The BenRiach Distillery Company Limited. This purchase added three single malt Scotch whisky brands into our growing whiskey portfolio: The GlenDronach, BenRiach, and Glenglassaugh. We believe that super- and ultra-premium whiskeys are attractive long-term businesses for us, and we will continue to pursue global growth in these categories.

In fiscal 2016, as part of our evolving portfolio strategy and our efforts to focus resources on our highest strategic priorities, we sold our Southern Comfort and Tuaca brands. This decision reflects our continuing efforts to reshape our portfolio by developing, divesting, and acquiring brands to create value and improve growth.

The United States remains our largest market, and continuing to grow in this market is important to our long-term success. We expect to foster this growth by emphasizing fast-growing spirits categories such as super-premium whiskies and tequila, continued product and packaging innovation, continued route-to-consumer proficiency, and brand building within growing consumer segments (with increasing emphasis on multicultural marketing).

Over the last two decades, our business outside the United States has grown more quickly than our business within it. Although the past two years have been an exception to this trend, as our net sales in the United States grew faster than our international business, we expect the longer-term trend to resume. Our ability to achieve our long-term growth objectives requires further development of our business globally, especially in emerging markets. We expect to grow our business in developed markets such as France, Germany, Australia, and the United Kingdom, as well as in emerging markets such as Mexico, Poland, and Turkey. Over time, we expect increasingly significant contributions to our growth from other emerging markets such as Brazil, China, Russia, Southeast Asia, Africa, and Eastern Europe. We will continue to pursue RTC strategies that will expand our access to and understanding of consumers in these diverse markets.

We believe that having a long-term-focused, committed, engaged shareholder base, including the Brown family, gives us an important strategic advantage, particularly in a business with aged products and multi-generational brands. Recognizing the strong cash-generating capacity and the capital efficiency of our business, we will continue to pursue what we believe to be well-balanced capital deployment strategies aimed at perpetuating Brown-Forman's strength and independence.

Corporate Responsibility

In pursuing the objectives described above, we will strive to be responsible in everything we do. Our history of responsibility began in 1870, when our founder, George Garvin Brown, first sold medicinal whiskey in glass bottles to ensure quality and safety – an innovative idea back when whiskey was usually sold by the barrel. Today, achieving our stated business purpose, to "enrich the experience of life," is possible only within a context of corporate responsibility. This means promoting responsible consumer enjoyment of our brands; working to reduce alcohol abuse and misuse; protecting the environment; providing a healthy, safe, and inclusive workplace; and con

Revenue

Tuition fee		
$		-
$		21,009
		-

	21,009
Cost of revenue	
Tuition fee	
	-
	631
	-
	631
Gross profit	
	-
	-
	20,378
Expenses	
Advertising and promotion	
	-
	486
Consulting and professional	
	-
	35,349
Depreciation	
	617
	744
Foreign exchange loss (gain)	
	1,962
	9,007
General and administrative	
	47
	33,631
Interest expense and penalty	
	58,472

64,560

Rent

-

8,656

Salaries, wages and sub-contract

-

36,533

61,098

188,966

Operating Income (Loss)

(61,098)

(168,588)

Other Income (Expenses)

Other income

-

1,703

Other income (expense)- net

-

1,703

Net Loss

(61,098)

(166,885)

Income (loss) from continuing operations

(61,098)

(166,885)

Earnings (loss) per share attributable to common

stockholders:

(0.00)

(0.01)

Weighted average number of common shares used to compute net income (loss) per share

Basic and diluted

50,363,325

20,011,792

(The accompanying notes are an integral part of these consolidated financial statements)

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GLOBAL PEOPLELINE TELECOM, INC. AND SUBSIDIARIES
(FORMERLY : CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
for the period ended March 31, 2008

Stated in U.S. dollars	Common Shares	Stock Amount At Par Value	Additional Paid In Capital	Accumulated Deficit	Total
Balance, December 31, 2005	20,011,792	$ 20,012	$ 18,442,826	$ (14,005,770)	$ 4,457,068
Fair value of 200,000 warrants issued for services rendered			50,000		$ 50,000
Net loss for the year ended December 31, 2006				(7,870,967)	$ (7,870,967)
Balance, December 31, 2006	20,011,792	$ 20,012	$ 18,492,826	$ (21,876,737)	$ (3,363,899)
Conversion of convertible debentures to common shares @$0.05 per share	33,500,000	33,500	1,641,500		$ 1,675,000
Conversion of penalty & liquidated damage in relation to convertible debentures to shares @$0.05 per share	6,022,500	6,023	295,102		$ 301,125
Shares issued for directors' services	253,000,000	$ 253,000	$ 126,500		$ 379,500

Shares issued for sevices	2,000,000	$ 2,000			$ 2,000
Net loss for the year ended December 31, 2007				$ (1,245,171)	$ (1,245,171)
Balance, December 31, 2007	314,534,292	314,535	20,555,928	(23,121,908)	(2,251,445)
Net loss for the period				(61,098)	$ (61,098)
Balance, March 31, 2008	314,534,292	314,535	20,555,928	(23,183,006)	(2,312,543)

(The accompanying notes are an integral part of these consolidated financial statements)

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GLOBAL PEOPLELINE TELECOM, INC. AND SUBSIDIARIES
(FORMERLY : CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2008 and 2007
(Stated in U.S. dollars)
(unaudited)

	2008	2007
Cash flows from operating activities		
Net loss	$ (61,098)	$ (166,885)
Adjustments to reconcile net loss to net cash		
Provided by (Used in) operating activities		
Depreciation and amortization	617	744
Translation adjustments	405	9,237
Changes in assets and liabilities		
(Increase)Decrease in accounts receivable	976	12
(Increase)Decrease in prepaid expenses and other current assets	-	2,332
Increase (Decrease) in amount due from (to) related parties	683	(13,576)
Increase (Decrease) in accounts payable	58,355	61,440
Increase (Decrease) in deferred revenue	-	489
Net cash provided by (used in) operating activities	(62)	(106,207)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Increase (decrease) in cash and cash equivalents	(62)	(106,207)
Cash and cash equivalents - beginning of period	2,840	288,149

Cash and cash equivalents - end of period	$ 2,778	$ 181,942

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GLOBAL PEOPLELINE TELECOM, INC. AND SUBSIDIARIES
(FORMERLY : CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(Stated in U.S. dollars)
(unaudited)

1 BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in conformity with accounting
principles generally accepted in the United States of America. However, certain information and footnote
disclosures normally included in financial statements prepared in accordance with generally accepted
accounting principles have been omitted or condensed pursuant to the rules and regulations of the
Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments of a
normal recurring nature necessary for a fair presentation have been included. The results for interim
periods are not necessarily indicative of results for the entire year. These condensed consolidated
financial statements and accompanying notes should be read in conjunction with the Company's annual
consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2007
included in its Annual Report on Form 10-K.

In August 2008, the Company changed its name to Global Peopleline Telecom, Inc.

The unaudited condensed consolidated financial statements include Global Peopleline Telecom, Inc. and
its subsidiaries. All inter-company transactions and accounts have been eliminated.

Certain items have been reclassified to conform to the current period presentation. There is no effect on
total results of operations or stockholder's equity.

2 DISCONTINUED OPERATTIONS

On August 15, 2006, a total of $3,350,000 of convertible debentures become due and payable. In October

2006, the Company was notified by the PRC State Administration of Foreign Exchange ("SAFE") that its application to convert certain cash held by the Company's two subsidiaries organized under the laws of the People's Republic of China (the "PRC Subsidiaries") into U.S. dollars and repay the debentures was denied. Later, in the three months ended December 31, 2006, based upon advice of PRC counsel that the Beijing Rule of Liquidation was the sole means to repay the outstanding debentures, the PRC subsidiaries submitted applications to a PRC regulatory authority to liquidate pursuant to the Beijing Rule of Liquidation. In connection therewith, the accounting responsibilities for the operations of the PRC subsidiaries were transferred from the Company to a PRC accounting firm approved by the PRC regulatory authority. The Company has been unable to obtain reports from this accounting firm and has not received a definitive opinion regarding the ultimate outcome of these liquidations; accordingly, the Company reduced the carrying value of the net assets of the PRC Subsidiaries to $1 at December 31, 2006 and reflected operations of the PRC Subsidiaries to September 30, 2006 as discontinued operations. In the event that the Company receives more than $1 from the liquidations, it will recognize a gain in such future periods that the proceeds are realized.

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3 PROPERTY AND EQUIPMENT

Property and equipment, net consists of :

		March 31 2008	December 31 2007
Equipment	$	40,579	41,913
Library		14,530	15,114
Furniture		14,535	15,026
Total		69,644	72,053
Less : Accumulated depreciation		(60,992)	(62,421)
Net book value		8,652	9,632

The depreciation expenses charged to operations for the three months ended March 31, 2008 were $617.

4 CONVERTIBLE DEBENTURES

On August 15, 2005, the Company completed an offering of 134 units ("Units") for $3,350,000. Each Unit was sold for $25,000, consisting of $25,000 principal amount of senior convertible debentures (the "Debentures"), and one new Series "A" Warrant and one new Seris "B" Warrant. The Debentures were initially convertible at $0.35 per share for 71,429 shares of common stock of the Company; maturing on August 15, 2006 and accruing interest at a rate of not less than 6% per annum equal to the sum of 2% per annum plus the one -month London Inter-Bank Offer Rate ("LIBOR"). The Debentures are subject to redemption at 125% of the principal amount plus accrued interest commencing six months after August 7, 2006.

Each Unit also included: (i) new Series "A" Warrants exercisable at $0.44 per share to purchase 71,429 shares of Common Stock of the Company until February 15, 2009. The new Series "A" and new Series "B" Warrants are subject to redemption by the Company at $0.001 per Warrant at any time commencing six months and twelve months, respectively, from August 7, 2006, provided the average closing bid price of the common stock of the Company equals or exceeds 175% of the respective exercise prices for 20 consecutive trading days.

On January 18, 2006, the Company received a letter (the "Default Notice") from the attorney for Southridge Partners, LP, (the "Lender"), the holder of $500,000 principal amount of the Company's Senior Convertible Debentures (the "Debenture") stating that the Company was in default of certain transaction agreements (the "Transaction Agreements") issued in connection with the Debenture by virtue of the Company's issuance of registered shares of stock to employees and consultants under a Form S-8 registration statement and the filing of the Form S-8 prior to the date of effectiveness, August 7, 2006, of the Company's SB-2 Registration Statement required under the Registration Rights Agreement (one of the Transaction Agreements).

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4 CONVERTIBLE DEBENTURES (continued)

The Company denied that it was in default of the Transaction Agreements. However, in order to avoid costly litigation, the parties entered into a waiver/settlement agreement on May 4, 2006 (the "Waiver/ Settlement Agreement").

In accordance with the terms of the Waiver/Settlement Agreement, the initial conversion price of the Debenture was reduced from $0.35 per share to $0.30 per share, the new Series "A" Warrant exercise price was reduced from $0.44 to $0.38 per share and the new Series "B" Warrant exercise price was reduced from $0.52 to $0.45 per share. In addition, the number of shares of the Company's common stock exercisable upon conversion of each $25,000 principal amount of Debenture and upon exercise of the new Series "A" and new Series "B" Warrants included in each Unit was increased from 71,429 shares to 83,333 shares for each of the Debenture, Class A Warrants and Class B Warrants, or an aggregate of 250,000 shares per unit.

The Lender waived the S-8 Default set forth in the Default Notice and the Company agreed not to file any additional S-8 Registration Statements prior to 45 days after August 7, 2006.

On August 15, 2006, the Company did not repay the $3,350,000 of Debentures then due. The Company has paid all interest on the Debenture accrued through November 15, 2006. As discussed in Note 2, the Company had applied to the regulatory authority in China to approve converting its subsidiaries' fund into U.S. dollars and repay the Debentures and was denied. The Company was advised that the Rule of Liquidation is the sole means of assuring repayment of the Debentures and subsequently submitted applications for such liquidations to a PRC regulatory authority. At May 18, 2007, these liquidations have not been completed.

The holder of an aggregate of $300,000 of the Debentures has agreed to extend the due date to December 31, 2007 with an interest rate of 10% per annum starting from August 15, 2006 and the exercise price of the new Series "A" Warrants and new Series "B" Warrants being reduced to $0.15 and $0.20 per share respectively. Other terms remain the same.

The Company received letters (the "Default Letters") from the attorneys for two holders of an aggregate $875,000 principal amount of Debentures stating that the Company was in default under the Debentures as a result of its failure to pay principal plus interest thereon. On September 18, 2006, one of the debenture holders commenced a lawsuit against the Company in the Supreme Court of the State of New York, New York County (No. 603266). The action is a motion for summary judgement in lieu of complaint based on the Company's Debentures in the amount of $500,000 in favor of Plaintiff which was due on August 15, 2006, with interest at 12% per annum. On January 19, 2007, this motion was granted and a judgement in the amount of $545,440 was awarded the Plaintiff.

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The Company entered into conversion/settlement agreements (the "Conversion Agreements") dated February 2, 2007, which provided that the conversion price (the "Conversion Price") of the Debentures, as set forth in paragraph 7(d) of the Debentures shall be reduced to $0.05 per share of Common Stock ("Underlying Common Stock") issuable upon conversion (the "Conversion"), provided that at least fifty (50%) percent in principal amount (or $1,675,000) of the initial $3,350,000 of Debentures (the "Minimum Conversion") agree to the Conversion. The closing of the Conversion (the "Closing") occurred on February 12, 2007. Those Debenture holders who agree to the Conversion shall also agree to convert all accrued but unpaid penalties and interest owed by the Company into Common Stock at $0.05 per share. Pursuant to the terms of the May 4, 2006 Waiver/Settlement Agreement entered into between the Company and Debenture holders the Conversion Price of the Debentures was reduced to its current price of $0.30 per share. A total of 39,522,500 shares of common stock were issued to 29 Debenture holders under Conversion Agreements in satisfaction of $1,675,000 total principal amount of Debentures and $301,125 unpaid accrued interest and late registration penalty fees.

The Conversion Agreements provided for the Debenture holders who signed such agreements to: (i) terminate any and all pending litigation with the Company to which they are a party, without prejudice to reinstatement if and only if the Minimum Conversion is not completed, and/or the Company defaults in its obligations under the Conversion Agreements; (ii) in any vote of shareholders not vote against any nominee to the Board of Directors of the Company and any proposal designated by current management of the Company and its officers, directors, employees, representatives and affiliates following the Closing.

The Company agreed to make whatever filings are necessary with the SEC, whether by way of supplement or post-effective amendment to this registration statement concerning the Underlying Common Stock, to permit issuance of common stock at the reduced Conversion Price of $0.05 per share. Notwithstanding the foregoing, only the original 214,287 shares of Common Stock issuable underlying each $25,000 Unit, including 71,429 Shares of Common Stock underlying each Debenture, are registered on this Registration Statement. Accordingly, at the reduced Conversion Price of $0.05 per share an aggregate of 500,000 shares of Common Stock would be issuable upon conversion of the Debentures and an additional 166,666 shares of Common Stock issuable upon exercise of warrants included in the Units. All additional shares of Common Stock not included in this Registration Statement, as well as those issuable in exchange for any interest and penalties due under the Debentures at the time of the Closing, have been included in a second registration statement filed by the Company on February 12, 2007.

The Company shall also provide the Debenture holders with "most favored nation" status and reduce the Conversion Price to the per share price of any equity offering made by the Company within 18 months of the Closing Date. The Company shall issue such number of additional shares to the Debenture holders to reduce their Conversion Price to that of such subsequent offering.

At March 31, 2008, accounts payable and accrued liabilities include interest payable of $403,639 and unpaid late registration penalty fees payable of $129,277.

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5 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are computed by dividing net earnings (loss) available to common
stockholders by the weighted-average number of common shares outstanding during the period.
Diluted earnings per share is computed by dividing net earnings available to common stockholders
by the weighted-average number of common shares outstanding during the period increased to
include the number of additional common shares that would have been outstanding if potentially
dilutive common shares had been issued.

The following table sets forth the computations of shares and net loss used in the calculation of basic
and diluted loss per share for the three months ended March 31, 2008 and 2007.

		2008	2007
Net loss for the period		(61,098)	(166,885)
Weighted-average number of shares outstanding		314,534,292	20,011,792
Effective of dilutive securities :			
Dilutive options - $0.30		-	-
Dilutive warrants new Series "A" - $0.15		-	-
Dilutive warrants new Series "A" - $0.38		-	-
Dilutive warrants new Series "B" - $0.20		-	-
Dilutive warrants new Series "B" - $0.45		-	-
Dilutive warrants Series "C" - $0.45		-	-
Dilutive potential common shares		-	-
Adjusted weighted-average shares and assumed conversions		50,363,325	20,011,792
Basic income (loss) per share attributable to common shareholders	$	(0.00)	(0.01)
Diluted income (loss) per share attributable to common shareholders	$	(0.00)	(0.01)

The effect of outstanding options and warrants was not included as the effect would be anti-dilutive.

6 SHARE PURCHASE WARRANTS

During the three months ended March 31, 2008, no share purchase warrants were issued, exercised or cancelled.

As of June 30, 2007, 122 new Series "A" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.38 unitl February 15, 2008. 122 new Series "B" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.45 until February 15, 2009. 12 amended new Series "A" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.15 each until February 15, 2008. 12 amended new Series "B" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.20 until February 15, 2009. 200,000 Series "C" warrants were outstanding which entitle the holders to purchase 200,000 common shares of the Company at $0.45 each expiring on May 5, 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Discontinued Quicknet Operations

The liquidation of Quicknet (the "Liquidation") began in January 2007, at which time the Beijing Bureau of Commerce approved the Liquidation of the Company's operating subsidiaries in China, and its operations are reflected as discontinued operations. Management does not believe that the operations of Quicknet will be transferred to a new entity controlled by the Company following the completion of the Liquidation. Quicknet was engaged in the development of software for mobile/ wireless communication and for Short Message Services ("SMS").

In connection with the Liquidation, the accounting responsibilities for the operations of the PRC subsidiaries were transferred from the Company to a PRC accounting firm approved by the PRC regulatory authority. For the quarter ended June 30, 2007, the Company has been unable to obtain reports from this accounting firm and has not received a definitive opinion regarding the ultimate outcome of these liquidations; accordingly, the Company has reduced the carrying value of the net assets of the PRC subsidiaries to $1 at December 31, 2006 and continues to maintain that carrying value at March 31, 2008. Likewise, the Company has reflected operations ot the PRC subsidiaries for the quarter ended March 31, 2008 as discontinued operations.

Critical Accounting Policies

Our discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable and allowance for doubtful accounts, intangible and long-lived assets, and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reaseonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements. We believe the following critical accounting policies reflect our more significant estimates and assumptions in the preparation of our consolidated financial statements:

Contingencies - We may be subject to certain asserted and unasserted claims encountered in the normal course of business. It is our belief that the resolution of these matters will not have a material adverse effect on our financial position or results of operations, however, we cannot provide assurance that damages that result in a material adverse effect on our financial position or results of operations will not be imposed in these matters. We account for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Critical Accounting Policies (continued)

Income Taxes - We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future market growth, forecasted earnings, future taxabel income, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. We currently have recorded a full valuation allowance against net deferred tax assets as we currently believe it is more likely than not that the deferred tax assets will not be realized.

Valuation Of Long-Lived Assets - We review property, plant and equipment and other assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Our asset impairment review assess the fair value of the assets based on the future cash flows the assets are expected to generate. An impairment loss is recognized when estimate undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Deterioration of our business in a geographic region could lead to impairment adjustments when identified. The accounting effect of an impairment loss would be a charge to income, thereby reducing our net profit.

Forward-looking Statements

Statements contained in this report include "forward-looking statements" within the meaning of such term in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Exchange Act. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause actual financial or operating results, performances or achievements expressed or implied by the forward-looking statements not to occur or be realized. Forward-looking statements generally are based on our best estimates of future results, performances or achievements, based upon current conditions and the most recent results of the companies involved and their respective industries. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "will," "could," "project," "expect," "believe," "estimate," "anticipate," "intend," "continue," "potential," "opportunity" or similar terms, variations of those terms or the negative of those terms or other variations of those terms or comparable words or expressions.

Potential risks and uncertainties include, among other things, such factors as :

* the Liquidation of our PRC Subsidiaries as set forth below under the "Liquidation of Quicknet Subsidiaries to Repay Debentures in Default,"

* our business strategies and future plans of operations,

* general economic conditions in the United States and elsewhere, as well as the economic conditions affecting the industries in which we operate,

* the market acceptance and amount of sales of our products and services,

* our historical losses,

* the competitive enviroment within the industries in which we compete,

* our ability to raise additional capital, currently needed for expansion, the other factors and information discussed in other sections of this report and in the documents incorporated by reference in this report.

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Forward-looking Statements (continued)

Persons reading this report should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements.
We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not hold any derivaties or investments that are subject to market risk. The carrying values of any financial instruments, approximate fair value as of those dates because of the relatively short-term maturity of these instruments which eliminates any potential market risk associated with such instruments.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information
required to be disclosed in the Company's Exchange Act reports is recorded, processed and summarized and is reported within the time periods specified in the SEC's rules and forms, and that
such information is accumulated and communicated to the Company's management, including its Chief
Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required
disclosure. In designing and evaluating the disclosure control procedures, no matter how well designed
and operated, can provide onlyreasonable assurance of achieving the desired control objectives, and
management necessarily was required to apply its judgement in evaluating the cost-benefit relationship
relationship of possible controls and procedures.

As of the date of this report, the Company's management, including the President (principal executive
officer) and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and
operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a - 14.
Based upon the evaluation, the Company's President (principal executive officer) and Chief Financial
Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting
them to material information required to be included in the Company's periodic SEC filings. There have
been no significant changes in the Company's disclosure controls and procedures or in other factors,
which could significantly affect disclosure controls subsequent to the date the Companys management
carried out its evaluation. During the period covered by this quarterly report on Form 10Q, there was no
change in our internal control over financial reporting (as defined in Rule 13a - 15(f) under the Exchange
Act) that materially affected, or is reasonably likely materially affect, our internal control over financial
reporting.

PART 2. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company may be involved in legal proceedings from time to
time. During the period covered by this report, the legal proceedings that commenced or had
material developments are as follows :

On September 18, 2006, Southridge Partners, L.P. ("Plaintiff") commenced a lawsuit against the Company in the Supreme Court of the State of New York, New York County (No. 603266) for an alleged default on repayment of its Senior Convertible Debentures due August 15, 2006 (the "Debentures"). The motion for summary judgement in lieu of complaint was granted based on the Company's Debentures in the amonunt of $500,000 in favor of the Plaintiff which was due on August 15, 2006, with interest at 12% per annum. During the quarter of March 31, 2007, the Plaintiff took steps to execute its default judgement.

ITEM 1. LEGAL PROCEEDINGS (continued)

On February 22, 2007, Microsoft Corporation commenced a lawsuit against the Company and others in the King County Superior Court of the State of Washington (No. 06-2-18596-0 SEA). Microsoft alleges claims for trepass to chattels, conversion, and violations of the Washington Commercial Electronic Mail Act, Washington Consumer Protection Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act ('CAN-SPAM"), and the Lanham Act. The Company has retained counsel to evaluate and defend the suit.

No director, officer or affiliate of Global Peopleline Telecom, Inc., and no owner of record or beneficial owner of more than 5% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to it in reference to pending litigation.

ITEM 1A. RISK FACTORS

The Company at present does not engage in any business activities thus will not be subjected to any risk.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company entered into the Conversion/Settlement Agreements dated February 2, 2007 and February 12, 2007, respectively. The Company offered to lower the conversion price of the Debentures to $.05 per share conditioned upon at least 50% in principal amount of Debentures agreeing to convert all of their Debentures in accordance with the terms and conditions of a Conversion/Settlement Agreement dated February 2, 2007. This transaction was completed in February 2007 and approximately 58% of the Debentures have been converted at $.05 per share or an aggregate of 33,500,000 shares of Common Stock were issued upon conversion during the quarter plus an additional 6,022,500 shares in satisfaction of unpaid accrued interest and late registration fees. The Debentureholders who executed the Agreement released the Company from all claims.

The Conversion/Settlement Agreements provided for an increase in the number of shares of Common Stock issuable upon conversion of the Debentures and exercise of the Warrants as a result of the reduction in the initial conversion price. Thus, there are now more shares issuable than were contemplated during the original offer. The Company believed that the offer (there was no issuance) of such additional shares was exempt from registration under the Securities Act and under applicable state securities laws pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. The offer was made some 18 months after the original sale to the same investors. The Company did not offer securities to any new investors, nor was it receiving proceeds from the issuance of additional shares. The offer was not made voluntarily, but solely in reponse to treatened litigation.

The Company has not received any proceeds as a result of the registration statement that went effective on August 7, 2006, registering a protion of the additional shares issuable upon conversion of Debentures and exercise of the Class A and Class B Warrants, under the Settlement Agreement, as the case may be, as well as placement agent warrants and warrants received as compensation for services provided.

Since the Company entered into the May 2006 Settlement Agreement and the February 2007 Conversion/Settlement Agreement, it has not been threatened by any of its investors or shareholders with respect to rescission rights. Furthermore, notwithstanding the fact that shares of common stock have been removed from the initial Registration Statement which was declared effective by the SEC on August 7, 2006, the SEC is not foreclosed from taking any enforcement action with respect to the filing and the Company may not assert the declaration of effecativeness as a defense in any proceeding initiated by the SEC.

No dividends on outstanding common stock have ever been paid. The Company does presently have
any plans regarding payment of dividends in the foreseeable future.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company disclosed in a Current Report on Form 8-K for August 31, 2006, that it had not repaid
$3,350,000 of Senior Convertible Debentures due August 15, 2006 (the "Debentures"). The Company
stated that it had sufficient cash on hand to repay the Debentures and any accrued interest. The
Company also disclosed in a Current Report on Form 8-K for August 31, 2006, that it had applied to the
banking authorities (State Administration of Foreign Exchange ("SAFE")) in China to convert its
subsidiaries' fund into U.S. dollars and repay the Debentures. The Company's operating subsidiary in
China has advised the Company that its application to SAFE to withdraw the funds from China had
been denied. On October 25, 2006, the Company retained the law firm of Wyatt & Wang in Beijing to
assist it comply with the Beijing Rule of Liquidation of companies with foreign investment (the "Rule of
Liquidation"). The Company has been advised by PRC Counsel that the Rule of Liquidation is the sole
means of assuring repayment of the Debentures. The Company began the process to submit an
application for such liquidation to the Bureau of Ministry of Commerce ("BOMOC"). On January 16, 2007,
the Beijing Bureau of Commerce approved the Liquidation.

The Company had paid all interest on the Debentures accrued through August 15, 2006. Interest accrued
on the Debentures through maturity, at the rate of not less than 6% per annum equal to the sum of 2%
per annum plus the one month LIBOR rate. From the maturity date of August 15, 2006, interest on
outstanding principal amount of Debentures and unpaid accrued interest accrues at the rate of 12% per
annum.

The Company received letters (the "Default Letters") from the attorneys for two holders of an aggregate
$875,000 principal amount of Debentures stating that the Company was in default under the Debentures
as a result of its failure to pay principal plus interest thereon. On September 18, 2006, one of the
debenture holders commenced a lawsuit against the Company in the Supreme Court of the State of

New York, New York County (No. 603266). The action is a motion for summary judgement in lieu of
camplaint based on the Company's Debentures in the amount of $500,000 in favor of Plaintiff which was
due on August 15, 2006, with interest at 12% per annum. On January 19, 2007, this motion was granted
and a judgement in the amount of $545,440 was awarded the Plaintiff. This debenture holder, Southridge
Partners, LP, took steps to execute on its judgement in excess of $545,440 plus interest during the
first quarter of 2007. The second debenture holder, Iroquois Management Fund Ltd., commenced a
lawsuit on November 25, 2006 against the Company in the Supreme Court of the State of New York,
New York, New York County (No. 6604397/06). The action is a motion for summary judgement in lieu of
complaint based on the Company's Debentures in the amount of $375,000 in favor of Plaintiff which was
due on August 15, 2006, with interest at 6% per annum from June 30, 2005 to August 15, 2006, and
with interest at 12% per annum from August 15, 2006 to the date of entry of judgement, plus costs and
disbursements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.01	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.02	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* These certificates accompany Global Peopleline Telecom, Inc Quarterly Report on Form 10-Q; they are not deemed "filed" with the Securities and Exchange Commission and are not to be incorporated by reference in any filing of Global Peopleline Telecom, Inc. under the Securities Act of 1933, or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation langauge in any filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Global Peopleline Telecom, Inc.
January 22, 2009	By: /s/ Angela Du
	Angela Du
	Director and Chief Executive Officer
	/s/ Ernest Cheung
	Ernest Cheung
	Chief Financial Officer

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