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Global Link

國 聯 通 信 控 股 有 限 公 司

Global Link Communications Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8060)

Interim Report 2017

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

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HIGHLIGHTS

Turnover for the six months ended 30 September 2017 was approximately HK\$27,113,000, representing a 18% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company for the six months ended 30 September 2017 was approximately HK\$5,325,000 and net profit of HK\$640,000 was recorded in the Last Corresponding Period.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (“**Global Link**” or the “**Group**”) for the three months and the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding period in 2016 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2017	2016	2017	2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2 & 4	24,243	20,670	27,113	33,097
Cost of sales		<u>(17,411)</u>	<u>(14,900)</u>	<u>(22,529)</u>	<u>(26,835)</u>
Gross profit		6,832	5,770	4,584	6,262
Other income		3,186	1,791	4,768	5,487
Selling expenses		(3,384)	(1,967)	(6,201)	(4,610)
Administrative expenses		(2,831)	(1,912)	(5,355)	(4,874)
Other operating expenses		<u>(2,017)</u>	<u>(813)</u>	<u>(3,121)</u>	<u>(1,625)</u>
Profit/(loss) before taxation	3	1,786	2,869	(5,325)	640
Income tax	5	-	(640)	-	-
Profit/(loss) for the period		<u>1,786</u>	<u>2,229</u>	<u>(5,325)</u>	<u>640</u>
Other comprehensive (loss)/income:					
Exchange differences on translating foreign operations		<u>267</u>	<u>(150)</u>	<u>559</u>	<u>(910)</u>
Total comprehensive income/(loss) for the period		<u>2,053</u>	<u>2,079</u>	<u>(4,766)</u>	<u>(270)</u>
Profit/(loss) attributable to:					
Equity shareholders of the Company		1,786	2,229	(5,325)	640
Non-controlling interests		-	-	-	-
		<u>1,786</u>	<u>2,229</u>	<u>(5,325)</u>	<u>640</u>
Total comprehensive income/(loss) attributable to:					
Equity shareholders of the Company		2,053	2,079	(4,766)	(270)
Non-controlling interests		-	-	-	-
		<u>2,053</u>	<u>2,079</u>	<u>(4,766)</u>	<u>(270)</u>
Earnings/(loss) per share <i>(in HK cents):</i>					
- Basic	7	<u>0.086</u>	<u>0.107</u>	<u>(0.255)</u>	<u>0.032</u>
- Diluted		<u>N/A</u>	<u>0.106</u>	<u>(0.255)</u>	<u>0.031</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2017 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	1,409	914
Intangible asset		23,563	25,187
Current assets			
Inventories		7,663	3,563
Available-for-sale investments		–	1,802
Trade and other receivables	9	40,079	30,448
Deposits and prepayments		2,221	2,416
Pledged bank deposit		–	1,994
Cash and bank balances		78,356	86,600
		128,319	126,823
Current liabilities			
Trade and other payables	10	22,306	18,693
Provision		15,776	14,542
Provision for taxation		7,299	6,986
		45,381	40,221
Net current assets		82,938	86,602
Total assets less current liabilities		107,910	112,703
Non-current liabilities			
Provision for long service payments		–	27
		–	27
Net assets		107,910	112,676
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital		20,888	20,888
Reserves		87,048	91,814
		107,936	112,702
Non-controlling interests		(26)	(26)
Total equity		107,910	112,676

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(8,942)	(1,011)
Net cash generated/(used in) from investing activities	2,522	(81)
Net cash generated from financing activities	<u>–</u>	<u>79,160</u>
Net (decrease)/increase in cash and cash equivalents	(6,420)	78,068
Cash and cash equivalents at 1 April	<u>86,600</u>	<u>12,482</u>
Effect of foreign exchange rate changes	<u>(1,824)</u>	<u>(451)</u>
Cash and cash equivalents at 30 September	<u><u>78,356</u></u>	<u><u>90,099</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital (unaudited) <i>HKS'000</i>	Share premium (unaudited) <i>HKS'000</i>	Merger reserve (unaudited) <i>HKS'000</i> <i>(note a)</i>	Exchange reserve (unaudited) <i>HKS'000</i>	Warrant reserve (unaudited) <i>HKS'000</i>	(Accumulated Losses)/ retained profits (unaudited) <i>HKS'000</i>	Statutory reserves (unaudited) <i>HKS'000</i> <i>(note b)</i>	Total (unaudited) <i>HKS'000</i>	Non- controlling interests (unaudited) <i>HKS'000</i>	Total equity (unaudited) <i>HKS'000</i>
At 1 April 2016	10,888	89,807	2,135	10,693	186	(67,561)	10,807	56,955	(26)	56,929
Total comprehensive income for the period	-	-	-	-	-	640	-	640	-	640
Other comprehensive loss										
Exchange differences on translating foreign operations	-	-	-	(910)	-	-	-	(910)	-	(910)
Issue of new shares	10,000	69,161	-	-	-	-	-	79,161	-	79,161
As at 30 September 2016	<u>20,888</u>	<u>158,968</u>	<u>2,135</u>	<u>9,783</u>	<u>186</u>	<u>(66,921)</u>	<u>10,807</u>	<u>135,846</u>	<u>(26)</u>	<u>135,820</u>
At 1 April 2017	20,888	158,967	2,135	9,184	186	(89,465)	10,807	112,702	(26)	112,676
Total comprehensive income for the period	-	-	-	-	-	(5,325)	-	(5,325)	-	(5,325)
Other comprehensive loss										
Exchange differences on translating foreign operations	-	-	-	559	-	-	-	559	-	559
As at 30 September 2017	<u>20,888</u>	<u>158,967</u>	<u>2,135</u>	<u>9,743</u>	<u>186</u>	<u>(94,790)</u>	<u>10,807</u>	<u>107,936</u>	<u>(26)</u>	<u>107,910</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").

NOTES TO THE FINANCIAL STATEMENTS

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. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before tax is stated after charging the following:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	441	124	634	252
Minimum lease payments under operating lease – land and buildings	340	288	973	670
Staff costs including directors' emolument	5,563	4,738	11,112	9,345

4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group's customers are located. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of PRC comprises the revenue from supply, development and integration of passenger information management system while the segment revenue of Hong Kong comprises the revenue from supply, development and integration of passenger information management systems.

No reportable operating segment has been aggregated.

(a) **Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2017 and 2016 is set out below:

	PRC		Hong Kong		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Reportable segment revenue						
Inter-segment revenue	-	165	-	-	-	165
Revenue from external customers	<u>26,750</u>	<u>32,658</u>	<u>363</u>	<u>439</u>	<u>27,113</u>	<u>33,097</u>
	<u>26,750</u>	<u>32,823</u>	<u>363</u>	<u>439</u>	<u>27,113</u>	<u>33,262</u>
Reportable segment profit/(loss)	<u>6,448</u>	<u>11,322</u>	<u>427</u>	<u>298</u>	<u>6,875</u>	<u>11,620</u>
Interest revenue	51	40	162	14	213	54
Depreciation	<u>633</u>	<u>251</u>	<u>1</u>	<u>1</u>	<u>634</u>	<u>252</u>

(b) **Reconciliation of reportable segment revenues and profit or loss**

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Total reportable segments' revenue	27,113	33,262
Elimination of inter-segment revenue	-	(165)
	<u>27,113</u>	<u>33,097</u>
Profit/(Loss)		
Total reportable segments' profit/(loss)	6,875	11,620
Elimination of inter-segment profit/(loss)	-	(165)
	<u>6,875</u>	<u>11,455</u>
Reportable segment profit/(loss) derived from		
Group's external customer	6,875	11,455
Bank interest income	213	54
Unallocated head office and corporate expenses	(12,413)	(10,869)
	<u>(5,325)</u>	<u>640</u>

5. **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 is 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 six months ended 30 September 2017.

6. **DIVIDEND**

The Board does not recommend an interim dividend for the six months ended 30 September 2017 (2016: Nil).

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the three months ended 30 September 2017 of approximately HK\$1,786,000 (2016: approximately HK\$2,229,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2016: 2,088,808,000 ordinary shares) in issue during the period calculated.

The calculation of basic earnings/(loss) per share is based on the unaudited consolidated profit attributable to equity shareholders of the Company for the six months ended 30 September 2017 of approximately HK\$5,325,000 (2016: profit attributable to equity shareholders of the Company approximately HK\$640,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2016: 1,979,518,000 ordinary shares) in issue during the period calculated.

(b) Diluted earnings/(loss) per share

No diluted profit per share has been presented for the three months ended 30 September 2017 since the assumed exercise of the Company's outstanding warrants would have no dilutive effect on profit per share.

The basic and diluted loss per share are the same for six months ended 30 September 2017, as the warrants outstanding during the period are anti-dilutive.

The calculation of the diluted earnings per share attributable to the shareholders of the Company for the three months and six months ended 30 September 2016 is based on the following data:

	Number of shares	
	For the three months ended 30 September 2016 (Unaudited) '000	For the six months ended 30 September 2016 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,088,808	1,979,518
Effect of dilutive potential ordinary shares on the warrants	<u>3,172</u>	<u>45,049</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,091,980</u>	<u>2,024,567</u>

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2017 (Unaudited) HK\$'000
Opening balance	914
Additions	1,317
Depreciation	(634)
Exchange realignment	(188)
	<hr/>
Closing balance	<u>1,409</u>

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Trade receivables and bills receivables	38,522	29,165
Other receivables	1,557	1,283
	<hr/>	<hr/>
	<u>40,079</u>	<u>30,448</u>

Details of the aging analysis of trade receivables are as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Between 0 to 90 days	23,067	9,546
Between 91 to 180 days	1,013	11,666
Between 181 to 365 days	8,256	1,546
Between 1 to 2 years	1,042	1,392
	<hr/>	<hr/>
	33,378	24,150
Retention receivables	5,144	5,015
	<hr/>	<hr/>
	<u>38,522</u>	<u>29,165</u>

Customers are generally granted with credit terms of 90 days.

10. TRADE AND OTHER PAYABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Trade payables	15,647	11,680
Other payables	4,950	5,377
Deposits received from customers	1,709	1,636
	<u>22,306</u>	<u>18,693</u>

Details of the aging analysis of trade payables are as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Between 0 to 90 days	8,838	3,268
Between 91 to 180 days	3,829	3,098
Between 181 to 365 day	1,598	4,835
Between 1 to 2 years	1,131	399
Over 2 years	251	80
	<u>15,647</u>	<u>11,680</u>

11. COMMITMENTS

As at 30 September 2017, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Not later than one year	1,140	1,598
In second to fifth years inclusive	730	1,083
	<u>1,870</u>	<u>2,681</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

During the period under review, the Chinese government has achieved considerable results in the economic sector through the structural reform on supply side by implementing policies encompassing destocking, cutting over-capacity, deleveraging, and lowering of costs, in targeted industries. By virtue of such reform, China's limited supply has been increased and the pace of national economic growth remained steady and relatively fast at approximately 7%.

Apart from focusing on the design of superstructure, during the construction of Smart City, local governments have also launched various implementation in aspects of informationalization of the governmental affairs, networking of convenience services for residents, and securitization of data services. Among them, many local governments promoted enterprises to participate in the Smart City construction by means of fiscal reform, service purchase as well as government guidance, enabling the Smart City project to develop in a way of provision with the higher value-added post-operation instead of merely project provision or construction. In the meantime, collaboration between governments and enterprises gradually replaced government-led investment to become the latest trend in construction.

With the implementation of the *“13th Five-year Plan” for Modern Integrated Transport System Development* (*《“十三五”現代綜合交通運輸體系發展規劃》*), many cities have accelerated their paces of urban rail transits construction. Route projects involving total investment exceeding RMB2.5 trillion in more than 50 cities have been approved and commenced construction in phases. Since 2017, the gradual implementation of PPP in the field of rail transits established an innovative mechanism for urban rail transits investment and financing. Propelled by the involvement of social capital, rail transits industry has further developed, driving the business performances of the upstream and downstream enterprises.

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”**), the Group's subsidiary in charge of the Smart City project development, has been continuously promoting the project with the government of Panyu District and administration office, and has launched the implementation together with the Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) (**“Guangzhou Xinghai”**). Firstly, as to the Panyu mobile phone CA-SIM people's welfare cards (民生卡) (the **“People's Welfare Card”**) project, upon the completion of the linkage with telecommunications operators, the two parties have signed the agreement of issuing 500,000 cards, aiming at

issuing no less than 55,000 cards in the first year. Secondly, as to the public service station project, the smart service stations, which serve as the gates to communities, have commenced the construction for operation and 40 of them have finished the system installation of CA-SIM application. Thirdly, as to the whole-region tourism project, Panyu district is the only demonstration zone for the whole-region tourism in Guangzhou, where the CA-SIM+ face detection technology of the Company is expected to install on a trial basis as an important implementation for “Smart Panyu” in the operation and management of the scenic area. With the promotion of Smart City project and the popularization of the new-generation technology, the smart community project will enjoy a new wave of rapid development.

During the period under review, the rail transits industry has seen the following new trends: (1) propelled by the significant national strategy of “the Belt and Road Initiative”, Chinese companies have successfully won several new projects overseas, and many of them have transformed from simple trading model and adopted new model of cooperation, joint-venture and localization; (2) the number of rail transits project has increased, meanwhile more innovation such as new-energy vehicle models, technological requirements for new-environment adoption, and passengers’ needs for smart services are waiting for enterprises to explore; (3) the demands for maintenance and operation have increased steadily, especially after decades of operation, vehicles have begun to enter into un-wheeling repair or overhaul repair stage. With the increase in the number of vehicle ownership, the potential of post-market of rail transits is enormous.

During the period under review, Guangzhou Global Link Communications Inc. (廣州國聯通信有限公司) (“**Guangzhou GL**”), the wholly-owned subsidiary of the Group, has performed orderly delivery of the projects under the signed contract, including the Northern Extension of Guangzhou Metro Line 8, Line 14, Line 21, the Southern Extension of Wuhan Metro Line 2, Wuhan Metro Line 21, Phase 3 of Harbin Metro Line 1, major projects of “the Belt and Road Initiative” such as that in Ankara of Turkey, the Pakistan Lahore Rail Transit Orange Line Project, and the first demo-train of the new high-speed motor train unit. The Company has shaped its competitive advantages in the future market by means of proactive innovation and constant investment in research and development, thereby obtaining new supply contracts of Changsha Metro Line 4 and various in-vehicle system on two routes of Malaysia ETS-2 motor train unit and HMU hybrid power motor train unit. Apart from provision of maintenance for more than 20 projects in operation, the Company has actively catered for the needs of upgrading the function of legacy system at the owners’ requests and obtained new contracts of system re-election and a batch of spare parts. During the period, the quantity of system products delivered has been increasing month-by-month and the revenue of the subsidiaries of the Group will increase accordingly by virtue of the implementation of the newly-signed contracts.

Financial review

For the six months ended 30 September 2017, the Group's turnover was approximately HK\$27,113,000, representing a decrease of approximately 18% as compared with the corresponding period of last year. Loss attributable to equity shareholders of the Company for the quarter amounted to approximately HK\$5,325,000, as compared to profit of HK\$640,000 in the corresponding period of last year.

During the period under review, while the Company mainly focused on the sales of spare parts in the last quarter, i.e., the three months ended 30 June 2017, supply of relevant products according to the delivery schedule for several projects, including Guangzhou Line 21, Wuhan Metro Line 2 Extension and Line 21, the project in Ankara of Turkey and Pakistan Lahore Rail Transit Orange Line Project, has been commenced in the current quarter, i.e. the three months ended 30 September 2017, therefore increase in sales has been seen month by month. Hampered by the unsatisfactory sales for the last three months, turnover for the first half of this year dropped by 18% as compared with the corresponding period of last year.

Selling expenses for the period rose by 35% over the corresponding period of last year, which was mainly attributable to the increased effort devoted to market development along with the construction of Smart City in Panyu District, Guangzhou by Guangzhou Global Link Intelligent, a subsidiary of the Group.

During the period, administrative expenses were HK\$5,355,000, representing an increase of HK\$481,000 as compared with HK\$4,874,000 in the corresponding period of last year.

Other operating expenses were HK\$3,121,000, which comprised amortization of intangible assets of CA-SIM of HK\$1,625,000 and provisions of passenger information system product maintenance of approximately HK\$1,496,000.

Other income declined by 13% over the corresponding period of last year, which was mainly due to the decrease in write-back of allowance for doubtful debts of receivables as compared with that in the corresponding period of last year.

USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd. (stock code: 1328) completed the subscription of 1,000,000,000 shares of the Company on 21 April 2016. For details please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016 and the circular published by the Company dated 30 March 2016 (the “**Circular**”).

The gross proceeds from the subscription were HK\$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK\$79.0 million (the “**Subscription Proceeds**”), amongst which approximately HK\$22.9 million had been utilised as at 30 September 2017. The breakdown of the Company’s actual use of the Subscription Proceeds as at 30 September 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 September 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	9.0
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	10.5
Working capital	7.9	3.4
Total	<u>79.0</u>	<u>22.9</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 September 2017, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

Capital structure

The Group carried out prudent financial policy, surplus cash is deposited in bank to finance operation and investments. Management will review financial forecast of the Group on a regular basis. As at 30 September 2017, the Group had a total cash and bank balances, amounted to approximately HK\$78,356,000.

Employee information

As at 30 September 2017, the Group had 227 employees (2016: 199 employees), 219 and 8 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2017, staff cost including Directors’ remuneration was approximately HK\$11,112,000 (2016: approximately HK\$9,345,000).

Liquidity, financial resources and gearing

As at 30 September 2017, the Group had net current assets of approximately HK\$82,938,000, of which approximately HK\$78,356,000 were cash and bank balances. The Directors are confident that the Group’s existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Contingent liabilities

As at 30 September 2017, the Group had no material contingent liabilities.

Save as disclosed hereof, the information in relation to those matters set out in Rule 18.41 of the GEM Listing Rules has not changed materially from the information disclosed in the most recent published annual report of the Company.

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

As at 30 September 2017, so far 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 and chief executives, if any, 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 September 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 September 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%

Note:

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

Save as disclosed above, as at 30 September 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.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' 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 of all Directors, 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 six months ended 30 September 2017.

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 to the GEM Listing Rules throughout the period under review.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group as at the date of the announcement.

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 period under review.

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 six months ended 30 September 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 in place are effective and adequate for the Group as a whole.

By order of the Board

Li Kin Shing

Chairman

Hong Kong, 13 November 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.