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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 2018

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

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This report, for which the directors (the “Directors”) of Global Link Communications Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

Turnover for the six months ended 30 September 2018 was approximately HK\$63,566,000, representing a 134% increase from that of the Last Corresponding Period.

Profit attributable to equity shareholders of the Company for the six months ended 30 September 2018 was approximately HK\$2,134,000 and net loss of HK\$5,325,000 was recorded in the Last Corresponding Period.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 2018 together with the unaudited comparative figures for the corresponding period in 2017 (“**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	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	2 & 4	38,584	24,243	63,566	27,113
Cost of sales		<u>(24,890)</u>	<u>(17,411)</u>	<u>(44,526)</u>	<u>(22,529)</u>
Gross profit		13,694	6,832	19,040	4,584
Other income		1,342	3,186	2,892	4,768
Selling expenses		(5,367)	(3,384)	(8,772)	(6,201)
Administrative expenses		(3,164)	(2,831)	(5,923)	(5,355)
Finance costs		(82)	–	(171)	–
Other operating expenses		(2,939)	(2,017)	(4,932)	(3,121)
Profit/(loss) before taxation	3	3,484	1,786	2,134	(5,325)
Income tax	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) for the period		<u>3,484</u>	<u>1,786</u>	<u>2,134</u>	<u>(5,325)</u>
Other comprehensive (loss)/income:					
Exchange differences on translating foreign operations		<u>(1,042)</u>	<u>267</u>	<u>(2,331)</u>	<u>559</u>
Total comprehensive income/(loss) for the period		<u>2,442</u>	<u>2,053</u>	<u>(197)</u>	<u>(4,766)</u>
Profit/(loss) attributable to:					
Equity shareholders of the Company		3,484	1,786	2,134	(5,325)
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>3,484</u>	<u>1,786</u>	<u>2,134</u>	<u>(5,325)</u>
Total comprehensive income/(loss) attributable to:					
Equity shareholders of the Company		2,442	2,053	(197)	(4,766)
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>2,442</u>	<u>2,053</u>	<u>(197)</u>	<u>(4,766)</u>
Earnings/(loss) per share (in HK cents):	7				
– Basic		<u>0.167</u>	<u>0.086</u>	<u>0.102</u>	<u>(0.255)</u>
– Diluted		<u>0.167</u>	<u>N/A</u>	<u>0.102</u>	<u>(0.255)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	1,682	1,641
Intangible asset		<u>20,312</u>	<u>21,937</u>
		<u>21,994</u>	<u>23,578</u>
Current assets			
Inventories		1,002	1,919
Trade and other receivables	9	81,991	68,678
Deposits and prepayments		9,662	6,148
Restricted and pledged bank deposit		2,273	–
Cash and cash equivalents		<u>63,007</u>	<u>72,153</u>
		<u>157,935</u>	<u>148,898</u>
Current liabilities			
Trade and other payables	10	44,833	37,666
Provision		18,298	17,123
Provision for taxation		<u>7,048</u>	<u>7,740</u>
		<u>70,179</u>	<u>62,529</u>
Net current assets		<u>87,756</u>	<u>86,369</u>
Net assets		<u>109,750</u>	<u>109,947</u>
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital		20,888	20,888
Reserves		<u>88,889</u>	<u>89,086</u>
		<u>109,777</u>	<u>109,974</u>
Non-controlling interests		<u>(27)</u>	<u>(27)</u>
Total equity		<u>109,750</u>	<u>109,947</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated/(used in) from operating activities	1,892	(8,942)
Net cash (used in)/generated from investing activities	(2,522)	2,522
Net (decrease)/increase in cash and cash equivalents	(630)	(6,420)
Cash and cash equivalents at 1 April	72,153	86,600
Effect of foreign exchange rate changes	(8,516)	(1,824)
Cash and cash equivalents at 30 September	63,007	78,356

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital (unaudited) <i>HK\$'000</i>	Share premium (unaudited) <i>HK\$'000</i>	Merger reserve (unaudited) <i>HK\$'000</i> <i>(note a)</i>	Exchange reserve (unaudited) <i>HK\$'000</i>	Warrant reserve (unaudited) <i>HK\$'000</i>	(Accumulated Losses)/		Statutory reserves (unaudited) <i>HK\$'000</i> <i>(note b)</i>	Non- controlling interests (unaudited) <i>HK\$'000</i>	Total equity (unaudited) <i>HK\$'000</i>
						retained	Total			
						profits (unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>			
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>
At 1 April 2018	20,888	158,967	2,135	11,233	-	(96,133)	12,884	109,974	(27)	109,947
Total comprehensive income for the period	-	-	-	-	-	2,134	-	2,134	-	2,134
Other comprehensive loss										
Exchange differences on translating foreign operations	-	-	-	(2,331)	-	-	-	(2,331)	-	(2,331)
As at 30 September 2018	<u>20,888</u>	<u>158,967</u>	<u>2,135</u>	<u>8,902</u>	<u>-</u>	<u>(93,999)</u>	<u>12,884</u>	<u>109,777</u>	<u>(27)</u>	<u>109,750</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 GEM 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 30 September 2018 (Unaudited) HK\$'000		For the six months ended 30 September 2018 (Unaudited) HK\$'000	
	2017 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation	195	441	411	634
Minimum lease payments under operating lease – land and buildings	529	340	972	973
Staff costs including directors' emolument	5,632	5,563	14,897	11,112

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 2018 and 2017 is set out below:

	PRC		Hong Kong		Total	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Reportable segment revenue						
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	63,085	26,750	481	363	63,566	27,113
	63,085	26,750	481	363	63,566	27,113
Reportable segment profit/(loss)	16,085	6,448	(1,013)	427	15,072	6,875
Interest revenue	13	51	328	162	341	213
Depreciation	(410)	(633)	(1)	(1)	(411)	(634)

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

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Total reportable segments' revenue	63,566	27,113
Elimination of inter-segment revenue	<u>—</u>	<u>—</u>
Consolidated turnover	<u>63,566</u>	<u>27,113</u>
Profit/(Loss)		
Total reportable segments' profit/(loss)	15,072	6,875
Elimination of inter-segment profit/(loss)	<u>—</u>	<u>—</u>
Reportable segment profit/(loss) derived from Group's external customer	15,072	6,875
Bank interest income	341	213
Unallocated head office and corporate expenses	<u>(13,279)</u>	<u>(12,413)</u>
Consolidated profit/(loss) before tax expenses	<u>2,134</u>	<u>(5,325)</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. (2017: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”) was qualified as a high and new technology enterprise from October 2014 and extended in December 2017 and was entitled to a concessionary rate of PRC enterprise income tax (the “**PRC EIT**”) at 15% over 3 years.

Except for Guangzhou GL as mentioned above, remaining subsidiaries located in the PRC is subject to the PRC EIT rate of 25% (2017: 25%) on its assessable profits.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

There was no significant unprovided deferred taxation for the six months ended 30 September 2018.

6. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2018 (2017: 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 2018 of approximately HK\$3,484,000 (2017: approximately HK\$1,786,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2017: 2,088,808,000 ordinary shares) in issue during the period calculated.

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 2018 of approximately HK\$2,134,000 (2017: loss attributable to equity shareholders of the Company approximately HK\$5,325,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2017: 2,088,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted earnings/(loss) per share

As there were no diluted shares during the three months and the six months ended 30 September 2018, the diluted earnings per share was same as basic earnings 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.

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2018 (Unaudited) HK\$'000
Opening balance	1,641
Additions	71
Depreciation	(411)
Exchange realignment	381
	<hr/>
Closing balance	1,682
	<hr/> <hr/>

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Trade receivables and bills receivables	78,093	67,408
Other receivables	3,898	1,270
	<hr/>	<hr/>
	81,991	68,678
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Within 90 days	54,520	43,174
Between 91 to 180 days	8,923	12,226
Between 181 to 365 days	7,381	1,278
Between 1 to 2 years	2,828	5,282
Over 2 years	160	668
	<hr/>	<hr/>
	73,812	62,628
Retention receivables	4,281	4,780
	<hr/>	<hr/>
	78,093	67,408
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted with credit terms of 90 days.

10. TRADE AND OTHER PAYABLES

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Trade payables	29,925	23,963
Other payables	11,240	9,635
Deposits received from customers	3,668	4,068
	<hr/>	<hr/>
	44,833	37,666
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Within 90 days	12,630	15,869
Between 91 to 180 days	10,480	4,870
Between 181 to 365 day	5,832	2,248
Between 1 to 2 years	182	758
Over 2 years	801	218
	29,925	23,963

11. COMMITMENTS

As at 30 September 2018, 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 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Within one year	2,042	1,816
After 1 year but within 5 years	684	1,478
	2,726	3,294

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

During the period under review, as the Chinese government prioritized the deepening of reform, governments at all levels, through institutional reform, led and promoted reform in various areas, in the deepening of which they optimized the establishment of institutions and functions, thereby promoting the transformation of governmental functions. At the same time as the implementation of reform, relevant government policies have also been implemented, and policies in respect of reducing tax burden on enterprises have been carried out in order to back the real economy. At the beginning of this year, the government set a target of RMB1.1 trillion for tax and fee reduction in the *Government Work Report*, and the actual tax reduction amount should exceed the target according to the tax reduction measures already in place. During the period under review, the China-United States trade tensions escalated, resulting in a general unoptimistic economic environment. Amid the continuously increasing uncertainties of the global economy due to the higher trade tariffs and the emerging problems of the major emerging economies, the economic situations in major regions in the coming months are not optimistic, and the substantial fluctuation of capital market will directly affect the income of real economy.

During the period under review, the Group unremittingly focused on the smart city project development in expanding its operation, and continued the innovation and implementation of such project with the team of Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) (“**Global Link Intelligent**”) as the main force. Detailed development projects are as follows: 1. three new district offices were added to the community service station project of the government of Panyu District and installed with the smart access control system of CA-SIM people’s welfare cards, and 20 community service stations are expected to be installed with such access control system during the year of 2018, from which income will be generated; 2. the Group established the platform of *Wollar Business Alliance* (網樂商盟) together with an application in light of the business alliance environment of the district, and attracted dozens of merchants. In the next step, the Group will seek for cooperation of business alliance with an innovated version of that application, and develop the offline channels for the distribution of the people’s welfare cards, intending to attract more merchants under business alliances; 3. the Group integrated the bus application of mobile phone people’s welfare cards (CA-SIM) in Panyu District to provide CA-SIM bus service for the public. At the same time, the Group expanded the application of CA-SIM to the payments for car park access, and promoted dozens of car parks to join the *Alliance Cloud* (盟雲) parking service. As the project progresses, thousands

of CA-SIMs will be issued in cooperation with operators during the year and the corresponding operating income will be realized. For the smart city project development, the Group continued to contribute a lot of manpower and material resources, striving to further explore new applications that benefit people's livelihood through innovation.

In 2018, the Chinese government's basic construction investment was implemented according to the "13th Five-Year Plan", and the construction projects of the rail transit industry remain being implemented as planned in an orderly manner. Guangzhou Global Link Communications Inc. ("**Guangzhou GL**") was mainly engaged in the provision of rail transit information system solutions, and continued to provide products as well as service and operation support to CRRC and subway operators in major cities. During the first half of the fiscal year ending 31 March 2019, Guangzhou GL completed below deliveries to manufacturing enterprises of CRRC: Guangzhou Metro Lines 14/21, Northern Extension Line of Guangzhou Metro Line 8, Southern Extension Line of Wuhan Metro Line 2, Caidian Line of Wuhan Metro Line and Changsha Metro Line 4; at the same time, it also delivered Ankara Line of Turkey, HEMU bullet train and ETS bullet train in Malaysia and other system equipment for "One Belt, One Road" projects pursuant to relevant contracts. Guangzhou GL also provided innovated technical application and spare parts and accessories for several urban-operated trains in cooperation with subway owners in respect of their operation project upgrading.

With the implementation of policy and measure of financial deleveraging and prevention of local debt risks, local governments took a more prudent approach towards investments in urban rail transit construction, which was reflected by the decrease in the number of tendered projects for new trains during the period as compared to the Last Corresponding Period. As the overseas expansion of CRRC was also affected by China-US trade friction, the Company signed less new contracts at this stage as compared with the Last Corresponding Period. While continuously delivering pursuant to relevant contracts, the Company's receivables were increasing, pushing the Company to adopt more rigorous implementation measures in the allocation and application of funds.

In view of the domestic and international political and economic environment, the Group will continue to strive for innovation, continue to allocate resources focusing on key technical research and development and markets with new opportunities, and implement necessary adjustments and reforms to cost of human resources, improvement of working efficiency, product quality assurance and other priorities of operation, endeavoring to achieve the goal of efficiency-enhancing and enabling through internal reform and response to the changing operating environment in a kind of pragmatic and innovative spirit. The management of the Group firmly believes that the continuously deepening and promoting reform by the relevant Chinese government will create a better environment for real enterprises to expand and operate, and the relevant tax reduction and other policies will benefit the Company.

Financial Review

For the six months ended 30 September 2018, the Group's turnover was approximately HK\$63,566,000, representing an increase of 134% as compared with the Last Corresponding Period. Profit attributable to shareholders of the Company for the quarter amounted to approximately HK\$2,134,000, as compared to the loss of HK\$5,325,000 for the Last Corresponding Period.

The sales of the Group for the period under review comprised of passenger information systems including Guangzhou Line 14/21, North Extension of Guangzhou Line 8, South Extension of Wuhan Line 2, Wuhan Metro Caidian Line, Changsha Line 4, Turkey Ankara Line and other projects. The Group delivered projects based on the delivery schedules as set out in the contracts for the above projects. Due to substantial amount of delivery during the period, the turnover increased significantly compared to the Last Corresponding Period.

Selling expenses for the period were approximately HK\$8,772,000, representing an increase of HK\$2,571,000 as compared to HK\$6,201,000 in the Last Corresponding Period, which was mainly attributable to an increase in export shipping costs and relevant customs clearance fee borne by the members of the Group for the period compared to the Last Corresponding Period.

Administrative expenses for the period were approximately HK\$5,923,000, representing an increase of 11% as compared to HK\$5,355,000 in the Last Corresponding Period, which was mainly the result of budget control of corporate expenses.

Other operating expenses comprised of amortization of patent right of CA-SIM of HK\$1,625,000 and provisions of product after-sales maintenance of HK\$3,308,000. Due to an increase in turnover for the period, provisions of after-sales maintenance increased accordingly, which in turn resulted in an increase in other operating expenses as compared to the Last Corresponding Period.

Other income amounted to approximately HK\$2,892,000, representing a decrease of 39% compared to the Last Corresponding Period. The decrease was mainly attributable to a decrease in write-back of doubtful receivables for the period as compared to the Last Corresponding Period.

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\$50.9 million had been utilised as at 30 September 2018. The breakdown of the Company’s actual use of the Subscription Proceeds as at 30 September 2018 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular <i>HK\$ million</i>	Actual use of the Subscription Proceeds from the date of completion of the Subscription to 30 September 2018 <i>HK\$ million</i>
The Company's existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	26.2
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	17.9
Working capital	7.9	6.8
	<hr/>	<hr/>
Total	<u>79.0</u>	<u>50.9</u>

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

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

As at 30 September 2018, 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 2018, the Group had a total cash and bank balances, amounted to approximately HK\$63,007,000.

Employee information

As at 30 September 2018, the Group had 223 employees (2017: 227 employees), 214 and 9 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2018, staff cost including Directors' remuneration was approximately HK\$14,897,000 (2017: approximately HK\$11,112,000).

Liquidity, financial resources and gearing

As at 30 September 2018, the Group had net current assets of approximately HK\$87,756,000, of which approximately HK\$63,007,000 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 2018, HK\$2,273,000 of bank acceptance bills of the Group pledged to a bank were due and redeemed during the term of pledge, and the HK\$2,273,000 were restricted and pledged bank deposits.

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.

The Group did not have any other significant contingent liabilities as at 30 September 2018.

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

As at 30 September 2018, 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 2018, so far as is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, so far as is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Honor Crest Holdings Limited ⁽¹⁾	Beneficial owner	745,683,120	35.70%
International Elite Ltd. ⁽²⁾	Beneficial owner	128,000,000	6.13%

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 2018, so far as is known to the Directors, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

DISTRIBUTION IN SPECIE BY CONTROLLING SHAREHOLDER OF COMPANY'S SHARES

Reference is made to the Company's announcement dated 9 August 2018 (the "**Announcement**"). The Board has been informed by its controlling shareholder, International Elite Ltd. ("**IEL**"), that (i) on 9 August 2018, the board of directors of IEL has resolved to declare a special dividend by distribution in specie (the "**Distribution in Specie**") of the relevant shares, being 873,683,120 shares in the Company (the "**Relevant Shares**") currently held by IEL (directly and indirectly through its wholly owned subsidiary, namely Honor Crest Holdings Limited), to IEL's qualifying shareholders whose names appear on the register of members of IEL on the record date (the "**IEL Qualifying Shareholders**"), on a pro-rata basis of 961 Shares for every 10,000 shares of IEL held by the IEL Qualifying Shareholders, subject to independent shareholders' approval of IEL; (ii) a waiver under Note 6 to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers in relation to the Distribution in Specie has been granted by the Executive

Director of the Corporate Finance Division of the Securities and Futures Commission and any delegate of the Executive Director; (iii) on 24 September 2018, the independent shareholders of IEL passed the resolutions regarding the Distribution in Specie; and (iv) on 15 October 2018, the share certificates in relation to the Relevant Shares distributed pursuant to the Distribution in Specie have been despatched to the IEL Qualifying Shareholders and the Distribution in Specie has been completed. For details of the Distribution in Specie by IEL, please refer to the Announcement and the circular published by IEL dated 31 August 2018 in relation to, among others, the Distribution in Specie.

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 2018.

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 2018 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the relevant legal and regulatory requirements, and that adequate disclosures have been made.

The audit committee further reviewed the Company's internal control and risk management system and is of the view that the internal control and risk management in place are effective and adequate for the Group as a whole.

By order of the Board

Li Kin Shing

Chairman

Hong Kong, 12 November 2018

As at the date of this report, the executive Directors are Mr. Li Kin Shing, Mr. Ma Yuanguang, and Mr. Wong Kin Wa; and the independent non-executive Directors are Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao.