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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 2019**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2019 was approximately HK\$34,618,000, representing approximately 46% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company for the six months ended 30 September 2019 was approximately HK\$4,983,000 and net profit of HK\$2,134,000 was recorded in the Last Corresponding Period.

## **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

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 2019 together with the unaudited comparative figures for the corresponding period in 2018 (“**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	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>	2 & 4	14,863	38,584	34,618	63,566
Cost of sales		<u>(12,961)</u>	<u>(24,890)</u>	<u>(28,098)</u>	<u>(44,526)</u>
<b>Gross profit</b>		1,902	13,694	6,520	19,040
Other income		1,482	1,342	3,298	2,892
Selling expenses		(2,908)	(5,367)	(5,571)	(8,772)
Administrative expenses		(2,759)	(3,164)	(6,160)	(5,923)
Other operating expenses		<u>(837)</u>	<u>(2,939)</u>	<u>(2,167)</u>	<u>(4,932)</u>
<b>(Loss)/profit from operation</b>		(3,120)	3,566	(4,080)	2,305
Finance costs		<u>(158)</u>	<u>(82)</u>	<u>(170)</u>	<u>(171)</u>
<b>(Loss)/profit before taxation</b>	3	(3,278)	3,484	(4,250)	2,134
Income tax	5	<u>(265)</u>	<u>–</u>	<u>(505)</u>	<u>–</u>
<b>(Loss)/profit for the period</b>		<u>(3,543)</u>	<u>3,484</u>	<u>(4,755)</u>	<u>2,134</u>
<b>Other comprehensive income/(loss):</b>					
Exchange differences on translating foreign operations		<u>(758)</u>	<u>(1,042)</u>	<u>(1,480)</u>	<u>(2,331)</u>
<b>Total comprehensive (loss)/income for the period</b>		<u>(4,301)</u>	<u>2,442</u>	<u>(6,235)</u>	<u>(197)</u>
<b>(Loss)/profit attributable to:</b>					
Equity shareholders of the Company		(3,698)	3,484	(4,983)	2,134
Non-controlling interests		<u>155</u>	<u>–</u>	<u>228</u>	<u>–</u>
		<u>(3,543)</u>	<u>3,484</u>	<u>(4,755)</u>	<u>2,134</u>
<b>Total comprehensive (loss)/income attributable to:</b>					
Equity shareholders of the Company		(4,301)	2,442	(6,235)	(197)
Non-controlling interests		<u>155</u>	<u>–</u>	<u>659</u>	<u>–</u>
		<u>(4,146)</u>	<u>2,442</u>	<u>(5,576)</u>	<u>(197)</u>
<b>(Loss)/earnings per share (in HK cents):</b>	7				
– Basic		<u>(0.177)</u>	<u>0.167</u>	<u>(0.239)</u>	<u>0.102</u>
– Diluted		<u>(0.177)</u>	<u>0.167</u>	<u>(0.239)</u>	<u>0.102</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	1,036	1,399
Right-of-use assets		2,421	–
Intangible assets		33,034	12,241
		<b>36,491</b>	13,640
<b>Current assets</b>			
Inventories		8,171	911
Contract assets		562	781
Trade and other receivables	9	40,317	52,995
Deposits and prepayments		10,767	9,931
Restricted bank deposits		–	2,332
Cash and cash equivalents		55,875	71,272
		<b>115,692</b>	138,222
<b>Current liabilities</b>			
Trade and other payables	10	39,937	34,311
Contract liabilities		462	464
Provision		13,218	13,609
Advances drawn on bills receivables discounted with recourse		–	1,163
Lease liabilities		2,433	–
Provision for taxation		6,685	7,030
		<b>62,735</b>	56,577
<b>Net current assets</b>		<b>52,957</b>	81,645
<b>Total assets less current liabilities</b>		<b>89,448</b>	95,285
<b>Net assets</b>		<b>89,448</b>	95,285
<b>Capital and reserves</b>			
Equity attributable to equity shareholders of the Company			
Share capital		20,888	20,888
Reserves		67,899	74,397
		<b>88,787</b>	95,285
Non-controlling interests		<b>661</b>	–
<b>Total equity</b>		<b>89,448</b>	95,285

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/generated from operating activities	<b>(4,901)</b>	1,892
Net cash (used in)/generated from investing activities	<b>(9,272)</b>	(2,522)
Net (decrease)/increase in cash and cash equivalents	<b>(14,173)</b>	(630)
Cash and cash equivalents at 1 April	<b>71,272</b>	72,153
Effect of foreign exchange rate changes	<b>(1,224)</b>	(8,516)
Cash and cash equivalents at 30 September	<b><u>55,875</u></b>	<b><u>63,007</u></b>

## 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>	(Accumulated Losses)/ retained profits (unaudited) <i>HK\$'000</i>	Statutory reserves (unaudited) <i>HK\$'000</i> <i>(note b)</i>	Total (unaudited) <i>HK\$'000</i>	Non- controlling interests (unaudited) <i>HK\$'000</i>	Total equity (unaudited) <i>HK\$'000</i>
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>(93,999)</u>	<u>12,884</u>	<u>109,777</u>	<u>(27)</u>	<u>109,750</u>
As at 1 April 2019	20,888	158,967	2,135	9,661	(110,951)	14,585	95,285	-	95,285
Impact on initial application of HKFRS 16	-	-	-	-	(33)	-	(33)	-	(33)
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	(4,983)	-	(4,983)	228	(4,755)
Other comprehensive loss									
Exchange differences on translating foreign operations	-	-	-	(1,480)	-	-	(1,480)	-	(1,480)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	431	431
As at 30 September 2019	<u>20,888</u>	<u>158,967</u>	<u>2,135</u>	<u>8,181</u>	<u>(115,967)</u>	<u>14,585</u>	<u>88,789</u>	<u>659</u>	<u>89,448</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		For the six months ended	
	30 September 2019	2018	30 September 2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	189	195	393	411
Minimum lease payments under operating lease – land and buildings	214	529	465	972
Staff costs including directors' emolument	5,919	5,632	11,718	14,897
	<u>5,919</u>	<u>5,632</u>	<u>11,718</u>	<u>14,897</u>



#### 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 2019 and 2018 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	
	2019	2018	2019	2018	2019	2018
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	
<b>Reportable segment revenue</b>						
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	<u>34,573</u>	<u>63,085</u>	<u>45</u>	<u>481</u>	<u>34,618</u>	<u>63,566</u>
	<u><b>34,573</b></u>	<u><b>63,085</b></u>	<u><b>45</b></u>	<u><b>481</b></u>	<u><b>34,618</b></u>	<u><b>63,566</b></u>
<b>Reportable segment profit/(loss)</b>	<u><b>5,979</b></u>	<u><b>16,085</b></u>	<u><b>163</b></u>	<u><b>(1,013)</b></u>	<u><b>6,142</b></u>	<u><b>15,072</b></u>
Interest revenue	146	13	344	328	490	341
Depreciation	<u>(392)</u>	<u>(410)</u>	<u>(1)</u>	<u>(1)</u>	<u>(393)</u>	<u>(411)</u>

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Total reportable segments' revenue	<b>34,618</b>	63,566
Elimination of inter-segment revenue	<u>—</u>	<u>—</u>
Consolidated turnover	<b><u>34,618</u></b>	<b><u>63,566</u></b>
<b>Profit/(Loss)</b>		
Total reportable segments' profit/(loss)	<b>6,142</b>	15,072
Elimination of inter-segment profit/(loss)	<u>—</u>	<u>—</u>
Reportable segment profit/(loss) derived from Group's external customer	<b>6,142</b>	15,072
Bank interest income	<b>490</b>	341
Unallocated head office and corporate expenses	<b><u>(10,882)</u></b>	<b><u>(13,279)</u></b>
Consolidated (loss)/profit before tax expenses	<b><u>(4,250)</u></b>	<b><u>2,134</u></b>

**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. (2018: Nil)

A PRC subsidiary of the Company, Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”), was qualified as “High and new technology enterprise” and subject to concessionary rate of PRC enterprise income tax (the “**PRC EIT**”) at 15%, which was granted for further three years starting from December 2017. The remaining PRC subsidiaries were qualified as “Small Low-profit Enterprise” and subject to a concessionary PRC EIT rate.

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 2019.

**6. DIVIDEND**

The Board does not recommend an interim dividend for the six months ended 30 September 2019 (2018: Nil).

**7. (LOSS)/EARNINGS PER SHARE**

**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 30 September 2019 of approximately HK\$3,698,000 (2018: consolidated profit attributable to equity shareholders of the Company approximately HK\$3,484,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2018: 2,088,808,000 ordinary shares) in issue during the period calculated.

The calculation of basic (loss)/earnings per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the six months ended 30 September 2019 of approximately HK\$4,983,000 (2018: profit attributable to equity shareholders of the Company approximately HK\$2,134,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2018: 2,088,808,000 ordinary shares) in issue during the period calculated.

**(b) Diluted (loss)/earnings per share**

The basic and diluted loss per share are the same for the three months and six months ended 30 September 2019 and for the three months and six months ended 30 September 2018, as there no diluted potential ordinary shares in issue during the period.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2019 (Unaudited) HK\$'000
Opening balance	1,399
Additions	92
Depreciation	(393)
Exchange realignment	(62)
	<hr/>
Closing balance	<b>1,036</b>
	<hr/> <hr/>

## 9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Trade receivables and bills receivables	38,648	49,859
Other receivables	1,669	3,136
	<hr/>	<hr/>
	<b>40,317</b>	<b>52,995</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Within 90 days	11,458	17,549
Between 91 to 180 days	7,635	8,579
Between 181 to 365 days	8,732	13,980
Between 1 to 2 years	3,130	5,654
Over 2 years	593	208
	<hr/>	<hr/>
	<b>31,548</b>	<b>45,970</b>
Retention receivables	4,363	2,723
	<hr/>	<hr/>
	<b>35,911</b>	<b>48,693</b>
	<hr/> <hr/>	<hr/> <hr/>

Customers are generally granted with credit terms of 90 days.

## 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	<b>As at 31 March 2019 (Audited) HK\$'000</b>
Trade payables	22,211	26,238
Other payables	17,726	8,073
	<u>39,937</u>	<u>34,311</u>

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

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	<b>As at 31 March 2019 (Audited) HK\$'000</b>
Within 90 days	2,865	2,902
Between 91 to 180 days	7,156	3,933
Between 181 to 365 day	4,205	17,504
Between 1 to 2 years	7,381	1,331
Over 2 years	604	568
	<u>22,211</u>	<u>26,238</u>

## 11. COMMITMENTS

As at 30 September 2019, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	<b>As at 31 March 2019 (Audited) HK\$'000</b>
Within one year	1,348	1,131
After 1 year but within 5 years	1,807	326
	<u>3,155</u>	<u>1,457</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

During the period under review, Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”), a subsidiary of the Group, was mainly engaged in the provision of rail transit information system solutions. According to the signed supply contracts, Guangzhou GL has delivered vehicle information system to metro operation owners in several cities, including Guangzhou Metro Line 9, Northern Extension Line of Guangzhou Metro Lines 8, Changsha Metro Line 4, Caidian Line of Wuhan Metro Line, Wuhan Metro Line 2, Southern Extension Line of Wuhan Metro Line 2, Light Rail in Hong Kong, Ankara Line of Turkey; as well as spare parts and accessories for several urban metro operators.

With whole buses of the system products and vehicle manufacturers being delivered to the owners, the train debugging in each city has become the main task of Guangzhou GL during the period under review. The debugging task of the overseas “One Belt, One Road” project was especially onerous. Among the numerous overseas projects, D-series High-Speed Train ETS2 in Malaysia was the most arduous. The long lengths of operating routes, the large number of stopping stations, the flexible and changeable requirement of each route, the combination mode of vehicle reconnection of this project and other requirements contributed the most complicated project for the owners and the manufacturers. The management of our Company united employees in each line, proactively coordinated between all providers and partners, closely cooperated with technicians, and was not afraid of arduous and long-time operation debugging, which made the offline operation during the initial period quite successful. The project has received operation inspection from the royalty of Malaysia, Malaysia National Railway Company, the Ministry of Transport of Malaysia and other parties. The implementation of the project is a comprehensive test of our Company’s engineering service, product technology, organizational management, etc..

During the period under review, Guangzhou GL actively expanded its business scope, conducted profound conversation with vehicle manufacturers and metro owners, and won the renovation project of the original PIS for the vehicle repair of Shenzhen Metro Line 3. In the meantime, Guangzhou GL actively cooperated with subsidiaries of CRRC in designing the on-board information systems of tram Line 1 in Huangpu District, Guangzhou.

With the increasing number of projects of urban rail transit construction in mainland China, including the operation of vehicles with various engines and systems such as A- and B-type vehicle, new energy light rail vehicle, maglev train, inter-city high-speed railway train, the owners posed their requirements

for vehicle's safety, intelligence and humanization. The new demand for the vehicle has naturally transmitted to relevant supportive enterprises in the supply chain. Constant innovation and product technology functions that fit into the new demand have become a must for the competition. Faced with the market of investment products in such countries, enterprises in this field are required to innovate constantly, be equipped with strategic planning in the long run, and invest a great number of resources such as talents, assets, and management.

Guangzhou Global Link Intelligent Information Technology Co., Ltd. (the “**Global Link Intelligent**”) continued to focus on the scenic trend of “Smart Transportation” during the period and worked hard to prepare the technology research and development of CA-SIM card in scenarios and integrate the landing market resources.

The Company closely followed the development trend of national public transportation and conducted strategic cooperation with China Unicode in the application of the technology of 2.4G/RCC SIM card in the China T-Union. Besides, the Company signed the supply contract in respect of the provision of Public Transport POS in supporting the use of RCC-SIM card and has delivered POS devices, creating advantageous condition for the development of CA-SIM card in public transportation.

In the aspect of the cooperation with mobile operator, the Company continued to work with the related government and enterprises operators. Under the background of 5G and MNP, the Company designed more suitable user communication package and superimposed it over the CA-SIM card.

In the aspect of landing scenarios resource integration, the Company continued to closely cooperate with administration office of government of Panyu District, the Big Data Bureau and Golden Card Company, focusing on the investigation and research on the status quo of specific application scenarios and landing methods of intelligent public transportation, roadside parking, gas station and the safety management of the battery of the power-driven bicycle. Meanwhile, the Company gave feedback on the technology improvement to the research and development team for upgrading.

During the period under review, Shanghai Xunshan Information Technology Limited (“**Shanghai Xunshan**”) was mainly engaged in the scenarios expansion of China Telecom's Bestpay in public transportation. Pursuant to the signed cooperation framework agreement, Shanghai Xunshan assisted China Telecom's Bestpay to access into the public transportation QR code payment platform in several cities, including Qingyuan in Guangdong, Huaibei in Anhui, Xinji in Hebei, Gongyi in Henan and Quangan in Fujian.



Up to now, cities that have entered into contracts and planned to go online this year are as follows: Hefei in Anhui, Zhongshan in Guangdong, Zhanjiang in Guangdong, Datong in Shanxi, Shuozhou in Shanxi and Huainan in Anhui.

The application going online of the second- and third-tier cities in succession bring us more confidence in the consistent investment for China Telecom's Bestpay in public transportation payment. Shanghai Xunshan, in the following few months, will cooperate with China Telecom's Bestpay to extend its payment business to the first-tier cities and subways.

On the basis of the cooperation with China Telecom's Bestpay and accumulated experience in public transportation for a long period, Shanghai Xunshan provided consulting and advertising services of public transportation QR code payment for many partners.

With stable cooperation with China Telecom's Bestpay, Shanghai Xunshan plans to introduce China Mobile He Bao into public transportation payment. By introducing the existing cities in cooperation to the He Bao App, new revenue will be brought to the Group. The future focus will be on the establishment of partnerships with more partners that are in need of public transportation payment, such as payment companies and banks. Therefore, more talents are required in this field.

On 28 August 2019 (after trading hours), the Company entered into a subscription agreement (the "**Subscription Agreement**") with Mr. Li as the subscriber (the "**Subscriber**") pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company as issuer has conditionally agreed to allot and issue 1,175,000,000 new shares (the "**Subscription Shares**") at the subscription price of HK\$0.0348 per share. For details, please refer to the Company's announcement dated 28 August 2019. On 24 October 2019, an extraordinary general meeting (the "**EGM**") was held, among others, to approve the Subscription Agreement and conditional upon the Stock Exchange granting the listing of, and permission to deal in the Subscription Shares, to grant a specific mandate to the Directors of the Company to allot and issue the Subscription Shares (the "**Resolution**"). The Resolution was duly passed by the independent shareholders of the Company by way of poll at the EGM. As at the date of this report, the completion of the Subscription Agreement has not yet taken place.

## Financial Review

For the six months ended 30 September 2019, the turnover of the Group was approximately HK\$34,618,000, representing a decrease of 46% as compared with the corresponding period of last year. Loss attributable to equity shareholders of the Company for the quarter amounted to approximately HK\$4,983,000, as compared with the profit of approximately HK\$2,134,000 for the Last Corresponding Period.

In the period under review, Guangzhou GL, a subsidiary of the Group, has delivered vehicle passenger information management system products pursuant to the contracts signed such as Caidian Line of Wuhan Metro Line, Changsha Metro Line 4, Northern Extension Line of Guangzhou Metro Line 8 and Light Rail in Hong Kong, as well as supplied spare parts and accessories for several urban metro operators. Delivery volume substantially decreased as compared with the corresponding period of last year due to less signed supply contracts, which result in the turnover of the rail transit business for the period amounting to approximately HK\$30,162,000.

Selling expenses for the period were approximately HK\$5,571,000, representing a decrease of 36% as compared with the Last Corresponding Period. The decrease was mainly attributable to the targeted business negotiations and technical exchange activities for customers who are likely to sign supply contracts conducted by Guangzhou GL, a subsidiary of the Group, to control the corresponding expense. Moreover, the market investment of Global Link Intelligent also decreased as compared with that of last year.

Administrative expenses were approximately HK\$6,160,000, representing an increase of approximately HK\$237,000 or 4% as compared with approximately HK\$5,923,000 in the Last Corresponding Period. The increase was mainly attributable to the Group's newly acquired subsidiary.

Other operating expenses amounted to approximately HK\$2,167,000, mainly attributable to the amortisation of intangible asset of CA-SIM amounting to approximately HK\$1,440,000 and the repair and maintenance provision for vehicle passenger information management system products of approximately HK\$727,000.

Other income amounted to approximately HK\$3,298,000, representing an increase of 14% as compared with the Last Corresponding Period. The increase was mainly attributable to the provision for bad debts of trade receivables made in the previous period was reversed during the 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\$60.4 million had been utilised as at 30 September 2019. The breakdown of the Company’s actual use of the Subscription Proceeds as at 30 September 2019 is as follows:

	<b>Proposed use of the Subscription Proceeds as disclosed in the Circular HK\$ million</b>	<b>Actual use of the Subscription Proceeds from the date of completion of the Subscription to 30 September 2019 HK\$ million</b>
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	30.0
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	22.5
Working capital	7.9	7.9
	<hr/>	<hr/>
Total	<u>79.0</u>	<u>60.4</u>

Based on the current market condition, the Board is planning to utilise approximately HK\$12.6 million on development of the “Smart City” projects and relevant research and development in the financial year ending 31 March 2020.

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

As at 30 September 2019, 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 2019, the Group had a total cash and bank balances, amounted to approximately HK\$55,875,000.

### **Employee information**

As at 30 September 2019, the Group had 207 employees (2018: 223 employees), 198 and 9 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2019, staff cost including Directors’ remuneration was approximately HK\$11,718,000 (2018: approximately HK\$14,897,000).

### **Liquidity, financial resources and gearing**

As at 30 September 2019, the Group had net current assets of approximately HK\$52,957,000, of which approximately HK\$55,875,000 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**

The Group did not have any significant contingent liabilities as at 30 September 2019.

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 2019, 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 <sup>(1)</sup>
Ma Yuanguang	Company	Owner	10,556,000 ordinary shares Long position	0.51%
Li Kin Shing <sup>(2)</sup>	Company	Owner	1,648,777,143 ordinary shares Long position	78.93%
		Interest of corporation controlled by the director	254,653,200 ordinary shares Long position	12.19%
		Interest of the spouse	387,493,563 ordinary shares Long position	18.55%
Wong Kin Wa	Company	Owner	1,861,500 ordinary shares Long position	0.09%

*Note:*

- (1) The percentages are calculated based on the total number of 2,088,807,500 issued shares as at 30 September 2019.
- (2) As Mr. Li Kin Shing (“**Mr. Li**”) has agreed to subscribe for 1,175,000,000 new shares pursuant to the Subscription Agreement, he is deemed to be interested in such 1,175,000,000 shares to be allotted and issued at completion of the Subscription Agreement in addition to the 473,777,143 shares directly held by him. Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 387,493,563 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 interested in 254,653,200 shares. Therefore, Mr. Li is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.

Save as disclosed above, as at 30 September 2019, 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 2019, 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:

## Interests in ordinary shares of the Company – long position

Name	Capacity	Class and number of securities	Approximate percentage of shareholding <sup>(1)</sup>
Kwok King Wa <sup>(2)</sup>	Beneficial owner	387,493,563 ordinary shares	18.55%
	Interest of the spouse	1,648,777,143 ordinary shares	78.93%
	Interest of corporation controlled by her	254,653,200 ordinary shares	12.19%
Ever Prosper International Limited <sup>(3)</sup>	Beneficial owner	254,653,200 ordinary shares	12.19%
Hony Gold Holdings, L.P. <sup>(4)</sup>	Beneficial owner	111,690,000 ordinary shares	5.35%

### Notes:

- (1) The percentages are calculated based on the total number of 2,088,807,500 issued shares as at 30 September 2019.
- (2) Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 387,493,563 shares. As Mr. Li Kin Shing (“**Mr. Li**”) has agreed to subscribe for 1,175,000,000 new shares pursuant to the Subscription Agreement, he is deemed to be interested in such 1,175,000,000 shares to be allotted and issued at completion of the Subscription Agreement in addition to the 473,777,143 shares directly held by him. Mr. Li is the spouse of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in her 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 interested in 254,653,200 shares. Therefore, Ms. Kwok is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO.
- (3) The 254,653,200 shares are held by Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively. Mr. Li is the spouse of Ms. Kwok.
- (4) Hony Gold Holdings, L.P. is managed by Hony Gold GP Limited as general partner. Hony Gold GP Limited is a wholly-owned subsidiary of Hony Group Management Limited, which is owned by Hony Managing Partners as to 80%. Hony Managing Partners is a wholly-owned subsidiary of Exponential Fortune Group Limited, which is owned by Mr. Zhao John Huan as to 49%.

Save as disclosed above, as at 30 September 2019, 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, the Company confirms that all Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2019.

#### **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 2019 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 2019

*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.*