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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 2015**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## HIGHLIGHTS

Turnover for the six months ended 30 September 2015 was approximately HK\$20,589,000, representing a 53% decrease from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company for the six months ended 30 September 2015 was approximately HK\$9,993,000 and net loss of HK\$1,758,000 was recorded in the Last Corresponding Period.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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 2015 together with the unaudited comparative figures for the corresponding period in 2014 (“**Last Corresponding Period**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended		For the six months ended	
		30 September		30 September	
		2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
<b>Revenue</b>	2 & 4	<b>10,156</b>	21,867	<b>20,589</b>	43,896
Cost of sales		<u>(10,823)</u>	(21,934)	<u>(23,128)</u>	(39,812)
Gross profit		(667)	(67)	(2,539)	4,084
Other income		245	2,060	1,587	4,235
Selling expenses		(1,504)	(4,098)	(3,117)	(5,206)
Administrative expenses		<u>(3,173)</u>	(2,418)	<u>(5,924)</u>	(4,871)
<b>(Loss) before taxation</b>	3	<b>(5,099)</b>	(4,523)	<b>(9,993)</b>	(1,758)
Income tax	5	-	-	-	-
<b>(Loss) for the period</b>		<u><b>(5,099)</b></u>	<u>(4,523)</u>	<u><b>(9,993)</b></u>	<u>(1,758)</u>
<b>Other comprehensive (loss)/income:</b>					
Exchange differences on translating foreign operations		<u>(1,157)</u>	-	<u>(1,157)</u>	1,110
<b>Total comprehensive (loss) for the period</b>		<u><b>(6,256)</b></u>	<u>(4,523)</u>	<u><b>(11,150)</b></u>	<u>(648)</u>
<b>(Loss) attributable to:</b>					
Equity shareholders of the Company		<u>(5,099)</u>	(4,523)	<u>(9,993)</u>	(1,758)
Non-controlling interests		-	-	-	-
		<u><b>(5,099)</b></u>	<u>(4,523)</u>	<u><b>(9,993)</b></u>	<u>(1,758)</u>
<b>Total comprehensive (loss) attributable to:</b>					
Equity shareholders of the Company		<u>(6,256)</u>	(4,523)	<u>(11,150)</u>	(648)
Non-controlling interests		-	-	-	-
		<u><b>(6,256)</b></u>	<u>(4,523)</u>	<u><b>(11,150)</b></u>	<u>(648)</u>
<b>(Loss) per share (in HK cents):</b>	7				
- Basic		<u>(0.47)</u>	(0.47)	<u>(0.92)</u>	(0.18)
- Diluted		<u>(0.47)</u>	(0.47)	<u>(0.92)</u>	(0.18)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	2,020	2,242
Intangible asset		30,062	31,687
<b>Current assets</b>			
Inventories		22,802	29,492
Trade and other receivables	9	39,989	43,365
Deposits and prepayments		1,080	1,155
Cash and bank balances		12,619	18,677
		76,490	92,689
<b>Current liabilities</b>			
Trade and other payables	10	14,428	14,917
Provision		10,539	16,757
Provision for taxation		7,545	7,734
		32,512	39,408
<b>Net current assets</b>		43,978	53,281
<b>Total assets less current liabilities</b>		76,060	87,210
<b>Non-current liabilities</b>			
Provision for long service payments		56	56
		56	56
<b>Net assets</b>		76,004	87,154
<b>Capital and reserves</b>			
Equity attributable to equity shareholders of the Company			
Share capital		10,888	10,888
Reserves		65,141	76,291
		76,029	87,179
Non-controlling interests		(25)	(25)
<b>Total equity</b>		76,004	87,154

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net cash (used in) from operating activities	<b>(5,092)</b>	(6,872)
Net cash generated from investing activities	<b>191</b>	283
	<hr/>	<hr/>
Net (decrease) in cash and cash equivalents	<b>(4,901)</b>	(6,589)
Cash and cash equivalents at 1 April	<b>18,677</b>	29,297
Effect of foreign exchange rate changes	<b>(1,157)</b>	585
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	<b><u>12,619</u></b>	<u>23,293</u>

## 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>	Total (unaudited) <i>HK\$'000</i>	Non- controlling interests (unaudited) <i>HK\$'000</i>	Total equity (unaudited) <i>HK\$'000</i>
						retained					
						profits (unaudited) <i>HK\$'000</i>	profits (unaudited) <i>HK\$'000</i>				
At 1 April 2014	9,608	58,725	2,135	12,053	-	3,689	10,807	97,017	(19)	96,998	
Total comprehensive loss for the period	-	-	-	-	-	(1,758)	-	(1,758)	-	(1,758)	
Other comprehensive loss											
Exchange differences on translating foreign operations	-	-	-	1,110	-	-	-	1,110	-	1,110	
As at 30 September 2014	<u>9,608</u>	<u>58,725</u>	<u>2,135</u>	<u>13,163</u>	<u>-</u>	<u>1,931</u>	<u>10,807</u>	<u>96,369</u>	<u>(19)</u>	<u>96,350</u>	
At 1 April 2015	10,888	89,807	2,135	12,129	186	(38,773)	10,807	87,179	(25)	87,154	
Total comprehensive loss for the period	-	-	-	-	-	(9,993)	-	(9,993)	-	(9,993)	
Other comprehensive loss											
Exchange differences on translating foreign operations	-	-	-	(1,157)	-	-	-	(1,157)	-	(1,157)	
As at 30 September 2015	<u>10,888</u>	<u>89,807</u>	<u>2,135</u>	<u>10,972</u>	<u>186</u>	<u>(48,766)</u>	<u>10,807</u>	<u>76,029</u>	<u>(25)</u>	<u>76,004</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. (LOSS) BEFORE TAXATION

(Loss) before tax is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	135	160	273	340
Minimum lease payments under operating lease – land and buildings	380	277	765	553
Staff costs including directors' emolument	4,121	3,900	8,758	7,788
	<u>4,121</u>	<u>3,900</u>	<u>8,758</u>	<u>7,788</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 2015 and 2014 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	
	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment revenue</b>						
Inter-segment revenue	186	651	-	-	186	651
Revenue from external customers	19,558	41,329	1,031	2,567	20,589	43,896
	<u>19,744</u>	<u>41,980</u>	<u>1,031</u>	<u>2,567</u>	<u>20,775</u>	<u>44,547</u>
<b>Reportable segment (loss)/profit</b>	<u>(2,231)</u>	<u>3,114</u>	<u>668</u>	<u>2,203</u>	<u>(1,563)</u>	<u>5,317</u>
Interest revenue	80	82	162	189	242	271
Depreciation	272	339	1	1	273	340

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

	<b>For the six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Total reportable segments' revenue	<b>20,775</b>	44,547
Elimination of inter-segment revenue	<b>(186)</b>	(651)
	<hr/>	<hr/>
Consolidated turnover	<b>20,589</b>	43,896
	<hr/> <hr/>	<hr/> <hr/>
<b>(Loss)/Profit</b>		
Total reportable segments' (loss)/profit	<b>(1,563)</b>	5,317
Elimination of inter-segment (loss)/profits	<b>–</b>	–
	<hr/>	<hr/>
Reportable segment (loss)/profit derived from Group's external customer	<b>(1,563)</b>	5,317
Bank interest income	<b>242</b>	271
Unallocated head office and corporate expenses	<b>(8,672)</b>	(7,346)
	<hr/>	<hr/>
Consolidated (loss) before tax expenses	<b>(9,993)</b>	(1,758)
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**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. (2014: 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.

Another PRC subsidiary, 廣州勝億信息科技有限公司 (formerly known as “廣州勝億交通信息軟件有限公司”) (“**勝億科技**”) was qualified as an approved software enterprise since year 2011 and was exempted from the PRC EIT for the year ended 31 December 2011, followed by a 50% reduction of enterprise income tax rate from year 2012 to year 2014. 勝億 was qualified as a high and new technology enterprise from October 2014 and was entitled to a concessionary rate of the PRC EIT at 15% over 3 years.

Except for Guangzhou GL and 勝億科技 as mentioned above, remaining subsidiary located in the PRC is subject to the PRC EIT rate of 25% (2014: 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 2015.

## 6. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2015 (2014: Nil).

## 7. (LOSS) PER SHARE

### (a) Basic (loss) per share

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 30 September 2015 of approximately HK\$5,099,000 (2014: approximately HK\$4,523,000) and the weighted average number of approximately 1,088,808,000 ordinary shares (2014: 960,808,000 ordinary shares) in issue during the period calculated.

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the six months ended 30 September 2015 of approximately HK\$9,993,000 (2014: approximately HK\$1,758,000) and the weighted average number of approximately 1,088,808,000 ordinary shares (2014: 960,808,000 ordinary shares) in issue during the period calculated.

### (b) Diluted (loss) per share

The basic and diluted loss per share are the same for three months and six months ended 30 September 2015 and 2014, as the warrants outstanding during the period are anti-dilutive.

## 8. PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 September 2015 (Unaudited) HK\$'000</b>
Opening balance	2,242
Additions	102
Depreciation	(273)
Exchange realignment	(51)
	<hr/>
Closing balance	<b>2,020</b>
	<hr/> <hr/>

## 9. TRADE AND OTHER RECEIVABLES

	As at <b>30 September</b> <b>2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
Trade receivables and bills receivables	<b>38,829</b>	41,546
Other receivables	<b>1,160</b>	1,819
	<b>39,989</b>	43,365

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

	As at <b>30 September</b> <b>2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
Between 0 to 90 days	<b>10,379</b>	18,558
Between 91 to 180 days	<b>5,071</b>	8,685
Between 181 to 365 days	<b>13,207</b>	9,730
Between 1 to 2 years	<b>7,583</b>	1,755
	<b>36,240</b>	38,728
Retention receivables	<b>2,589</b>	2,818
	<b>38,829</b>	41,546

Customers are generally granted with credit terms of 90 days.

## 10. TRADE AND OTHER PAYABLES

	As at <b>30 September</b> <b>2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
Trade payables	<b>10,372</b>	9,496
Other payables	<b>3,538</b>	4,890
Deposits received from customers	<b>518</b>	531
	<b>14,428</b>	14,917

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

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	As at 31 March 2015 (Audited) HK\$'000
Between 0 to 90 days	<b>2,518</b>	7,455
Between 91 to 180 days	<b>5,958</b>	552
Between 181 to 365 days	<b>1,768</b>	28
Between 1 to 2 years	–	48
Over 2 years	<b>128</b>	1,413
	<b>10,372</b>	9,496

## 11. COMMITMENTS

As at 30 September 2015, 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 2015 (Unaudited) HK\$'000</b>	As at 31 March 2015 (Audited) HK\$'000
Not later than one year	<b>905</b>	1,093
In second to fifth years inclusive	<b>2,227</b>	2,966
	<b>3,132</b>	4,059

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review and outlook**

During the period under review, the PRC government had set its focus on stabilising growth and readjusting structure, rolling out a series of further reform measures to facilitate economic development in various sectors including finance, securities, taxation and manufacturing. While implementing the initiatives orchestrated by the 12th Five-year Plan, local governments at different levels have been proactively planning out for the formulation and development targets of the upcoming 13th Five-year Plan. To accommodate the “new normal” of the nation’s economy, the PRC Government has placed a greater emphasis on structural readjustment, enhanced digitisation and innovation orientation to promote a system and mechanism better suited to the new phase of economic development.

The period is critical as local government at different levels had put the 12th Five-year Plan into practice. Driven by related reform measures, the two pillars of rail transit manufacturing, CSR and CNR, completed their merger and restructuring. The merged corporation has rigorously tapped into the international market to take part in the far-reaching “One-belt, One Road” economic strategy, convincingly displaying its competitive edge in market and technology when comparing with overseas peers. In the recent half-year, the National Development and Reform Commission has made ongoing announcements about construction project approvals for urban rail transit, and there has been a rising number of project execution. During the first half of 2015, tenders for 20 lines had been completed, generating a demand for around 3,400 vehicles. It is expected that from the rest of 2015 to the first half of 2016, the tendering process for 30 additional rail transit lines and over 5,000 vehicles in various cities will proceed. Demands from such market will be of benefit to enterprises of relevant industrial chains.

During the half-year period under review, the Group had centred on carrying out the “two-wheel-drive” strategy for business operation. Guided by the concept of all-employee innovation, a series of policies focusing on execution enhancement had been formulated based on the actual circumstances of the Company’s different aspects such as operation framework, project planning, division of responsibilities, resources and supportive measures, as well as the appraisal system with rewards and penalties. For the core basic business of train information system solutions for urban rail transit, the major initiative was to adapt to new user demands, and at the same time enhance product quality, strengthen cost control, and improve the workflow and management of post-sales services. The more prominent issues for the business was the chronic problem

of a substantial amount of past-due receivables and expenses for the provision of warranty regarding post-sales services for an extended period of time, which were also the important factors that affected the economic benefits of the relevant enterprises in the industry chain. It is hoped that the advance of various reforms under national policies could better regulate project implementation, so that difficulties hindering development could be resolved.

Under the idea of “entrepreneurship and innovation by the general public”, making use of “Internet +” to promote the transformation and upgrading of corporate entities is an important industrial policy strongly advocated by the Chinese government. The Group continued to use its “CA-SIM” technology patents to collaborate with the local government in carrying out information management in Panyu District, Guangzhou regarding the real-name system for temporary migrant population. During the half-year period under review, the Group undertook substantive work in relation to the planning towards a Smart City by the local government and information collection, management, services and future long-term operation and maintenance of the project. In order to achieve full range adaptability and scalability in the application of the system, the relevant team of Shengyi Technology\* (勝億科技) set up the system and the terminals, network and other components innovatively based on government requirements by paying close attention to the actual circumstances of using the system, the outcome of which has now satisfied the requirements of all parties.

In the period, in addition to the guaranteed supply of on-board train information system for urban rail transit according to the requirements of cars factories, some results were made in market development, with order contracts of a number of new lines and additional and replacement purchases signed. The implementation contract of the Smart City project is expected to be signed with the government in the next business quarter. With the launch of mobile online personal information service, it is hoped that it will promote the transformation and upgrading of the enterprise.

## **Financial review**

The Group’s turnover decreased by approximately 53% to approximately HK\$20,589,000 for the six months ended 30 September 2015 as compared to the same period last year. The Group recorded gross loss of approximately HK\$2,539,000 and gross loss margin at 12%. Loss attributable to equity shareholders of the Company for the quarter was approximately HK\$9,993,000, as compared to a loss of HK\$1,758,000 in the corresponding period last year.

During the period under review, the Group's sales mainly comprised passenger information systems for Hangzhou Line 2, Shenzhen Line 1, Dongguan Line 2, Fuzhou Line, Guangzhou Line 7 and replacement items for other projects. Due to the limited amount of goods delivered during the period, revenues decreased by approximately 53% as compared to the same period last year. It was mainly a result of the postponed delivery of equipment under the passenger information system supply contracts signed in the previous two years for the Shenzhen project, the Hangzhou project and the Ankara project in Turkey due to reasons from project owners. On the other hand, train information systems under newly-signed subway projects in cities including Guangzhou and Wuhan are pending delivery.

During the period, costs of sales in terms of material consumption, research and development expenses and production costs amounted to HK\$15,727,000 HK\$5,794,000 and HK\$1,607,000 respectively, as compared to HK\$30,359,000, HK\$7,235,000 and HK\$2,218,000 for the same period last year. Material consumption rate for the period was approximately 79%, as compared to approximately 69% for the same period last year. As a result of intense market competition, sales prices of items delivered in the period were lower than the same period last year, leading to a higher material consumption rate than the same period last year. Despite a decrease in total research and development expenses and production costs from the same period last year, the low gross profit of goods delivered was unable to offset the research and development expenses and production costs, thus resulting in negative gross profit.

During the period, selling expenses of the Group decreased by 40% from the same period last year. Selling expenses incurred for promoting the application of CA-SIM patented technology launched by Shengyi Technology\* (勝億科技) during the period was approximately HK\$790,000. However, as Guangzhou Global Link implemented a targeted marketing strategy, tendering and bidding of projects and business activities between train manufacturers and business owners are under effective control, leading to a fall in total sales costs.

Administrative costs increased by approximately HK\$1,053,000 or 22% as compared to the same period last year, mainly due to the amortisation of HK\$1,625,000 during the quarter on the CA-SIM patent obtained by the Company in late 2014. Other administrative costs except amortisation on patent decreased in effect from the same period last year as a result of strict implementation of established financial budget.



In the past two years, the Company focused on the collection of accounts receivable and strengthened its cash flow management. The amount of accounts receivable aged over 1 year was insignificant. During the period, write-back of bad debt provisions attributable to recovery of accounts receivable was lower compared to the same period last year, which was the main reason for the decrease in other incomes as compared to the same period last year. In addition, the fluctuation in RMB exchange rate resulting in less exchange gains as compared to the same period last year was another reason for the decrease in other incomes.

### **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 2015, the Group had a total cash and bank balances, amounted to approximately HK\$12,619,000.

### **Employee information**

As at 30 September 2015, the Group had 164 employees (2014: 155 employees), 156 and 8 of them are working in the PRC and Hong Kong, respectively. For the six months ended 30 September 2015, staff cost including Directors' remuneration was approximately HK\$8,258,000 (2014: approximately HK\$7,788,000).

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

As at 30 September 2015, the Group had net current assets of approximately HK\$43,978,000, of which approximately HK\$12,619,000 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 2015, 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 2015, 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	Beneficial owner	255,121,200 ordinary shares Long position	23.43%
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.01%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position	0.08%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.08%

Save as disclosed above, as at 30 September 2015, 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 2015, 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:

<b>Name</b>	<b>Capacity</b>	<b>Class and number of securities</b>	<b>Approximate percentage of shareholding</b>
International Elite Ltd.	Beneficial owner	128,000,000 ordinary shares Long position	11.76%

Save as disclosed above, as at 30 September 2015, 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 2015.

## **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 report.

## **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, Professor Lu Ting Jie and Mr. Liu Kejun , all being independent non-executive Directors. The Group's unaudited results for the nine months ended 30 September 2015 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.

\* *For identification purpose only*

By order of the Board  
**Ma Yuanguang**  
*Chairman*

Hong Kong, 11 November 2015

*As at the date of this report, the executive Directors are Mr. Ma Yuanguang, Mr. Hu Tiejun and Mr. Lo Kam Hon, Gary; the non-executive Director is Mr. Wing Kee Eng, Lee; and the independent non-executive Directors are Mr. Liu Kejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung.*