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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.glink.hk.

HIGHLIGHTS

- Turnover of the Group for the year ended 31 March 2017 was approximately HK\$55,967,000, representing the decrease of approximately 4%, as compared with that for the year ended 31 March 2016.
- Loss attributable to equity shareholders of the Company was approximately HK\$21,904,000 for the year ended 31 March 2017 and net loss of approximately HK\$28,788,000 was recorded in the Last Corresponding Period.
- The board of the Directors does not recommend the payment of final dividend for the year ended 31 March 2017.

The board of directors (the “Directors”) of Global Link Communications Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2017 together with the audited comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	3	55,967	58,210
Cost of sales		<u>(51,988)</u>	<u>(56,723)</u>
Gross profit		3,979	1,487
Other revenue and other net gain	4	4,011	499
Selling expenses		(9,604)	(7,314)
Administrative expenses		(11,445)	(14,325)
Other operating expenses		<u>(8,845)</u>	<u>(9,117)</u>
(Loss) before taxation	5	(21,904)	(28,770)
Income tax	7	<u>–</u>	<u>(19)</u>
(Loss) for the year		(21,904)	(28,789)
Other comprehensive (loss) for the year:			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
Changes in fair value		154	–
Reclassification adjustments relating to available-for-sale investments disposed of in the year		(154)	–
Exchange differences on translating of financial statements of foreign operations:			
Exchange differences arising during the year		<u>(1,509)</u>	<u>(1,436)</u>
Other comprehensive (loss) for the year, net of income tax		<u>(1,509)</u>	<u>(1,436)</u>
Total comprehensive (loss) for the year		<u>(23,413)</u>	<u>(30,225)</u>
(Loss) attributable to:			
Equity shareholders of the Company		(21,904)	(28,788)
Non-controlling interests		<u>–</u>	<u>(1)</u>
		<u>(21,904)</u>	<u>(28,789)</u>
Total comprehensive (loss) attributable to:			
Equity shareholders of the Company		(23,413)	(30,224)
Non-controlling interests		<u>–</u>	<u>(1)</u>
		<u>(23,413)</u>	<u>(30,225)</u>
(Loss) per share (in HK cents):			
– Basic and diluted	9	<u>(1.08 cents)</u>	<u>(2.64 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		914	1,929
Intangible assets		25,187	28,437
		<u>26,101</u>	<u>30,366</u>
Current assets			
Inventories		3,563	7,451
Available-for-sale investments		1,802	–
Trade and other receivables	<i>10</i>	30,448	40,986
Deposits and prepayments		2,416	2,584
Restricted and pledged bank deposit		1,994	1,220
Cash and cash equivalents		86,600	12,482
		<u>126,823</u>	<u>64,723</u>
Current liabilities			
Trade and other payables	<i>11</i>	18,693	17,910
Provision		14,542	12,721
Provision for taxation		6,986	7,473
		<u>40,221</u>	<u>38,104</u>
Net current assets		<u>86,602</u>	<u>26,619</u>
Total assets less current liabilities		<u>112,703</u>	<u>56,985</u>
Non-current liability			
Provision for long service payments		27	56
		<u>27</u>	<u>56</u>
NET ASSETS		<u>112,676</u>	<u>56,929</u>
CAPITAL AND RESERVES			
Equity attributable to equity shareholders of the Company			
Share capital		20,888	10,888
Reserves		91,814	46,067
		<u>112,702</u>	<u>56,955</u>
Non-controlling interests		<u>(26)</u>	<u>(26)</u>
TOTAL EQUITY		<u>112,676</u>	<u>56,929</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to equity shareholders of the Company									Non-controlling interest	Total equity
	Share capital	Share premium	Fair value reserve	Merger reserve	Exchange reserve	Warrant reserve	Accumulated losses	Statutory reserves	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	10,888	89,807	-	2,135	12,129	186	(38,773)	10,807	87,179	(25)	87,154
Loss for the year	-	-	-	-	-	-	(28,788)	-	(28,788)	(1)	(28,789)
Other comprehensive loss for the year:											
Exchange differences on translating of financial statements of foreign operations											
Exchange differences arising during the year	-	-	-	-	(1,436)	-	-	-	(1,436)	-	(1,436)
Total comprehensive loss for the year	-	-	-	-	(1,436)	-	(28,788)	-	(30,224)	(1)	(30,225)
At 31 March 2016	<u>10,888</u>	<u>89,807^(#)</u>	<u>-^(#)</u>	<u>2,135^(#)</u>	<u>10,693^(#)</u>	<u>186^(#)</u>	<u>(67,561)^(#)</u>	<u>10,807^(#)</u>	<u>56,955</u>	<u>(26)</u>	<u>56,929</u>
At 1 April 2016	10,888	89,807^(#)	-^(#)	2,135^(#)	10,693^(#)	186^(#)	(67,561)^(#)	10,807^(#)	56,955	(26)	56,929
Loss for the year	-	-	-	-	-	-	(21,904)	-	(21,904)	-	(21,904)
Other comprehensive loss for the year:											
Available-for-sale investments:											
Changes in fair value	-	-	154	-	-	-	-	-	154	-	154
Reclassification adjustments relating to available-for-sale investments disposed of in the year	-	-	(154)	-	-	-	-	-	(154)	-	(154)
Exchange differences on translating of financial statements of foreign operations											
Exchange differences arising during the year	-	-	-	-	(1,509)	-	-	-	(1,509)	-	(1,509)
Total comprehensive loss for the year	-	-	-	-	(1,509)	-	(21,904)	-	(23,413)	-	(23,413)
Issue of new shares	10,000	70,000	-	-	-	-	-	-	80,000	-	80,000
Transaction costs attributable to the issue of new shares	-	(840)	-	-	-	-	-	-	(840)	-	(840)
At 31 March 2017	<u>20,888</u>	<u>158,967^(#)</u>	<u>-^(#)</u>	<u>2,135^(#)</u>	<u>9,184^(#)</u>	<u>186^(#)</u>	<u>(89,465)^(#)</u>	<u>10,807^(#)</u>	<u>112,702</u>	<u>(26)</u>	<u>112,676</u>

^(#) These accounts comprise the consolidated reserves of approximately HK\$91,814,000 (2016: HK\$46,067,000) in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is No. 401, Building D, Guangdong Software Park, No.11, Caipin Road, Science City of Guangzhou Development Zone, Guangzhou City, Guangdong Province, the People's Republic of China. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

Revenue is presented net of value-added tax, trade discounts and returns.

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from the supply, development and integration of passenger information management system	<u>55,967</u>	<u>58,210</u>

4. OTHER REVENUE AND OTHER NET GAIN

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	<u>309</u>	<u>349</u>
Total interest income on financial assets not at fair value through profit or loss	309	349
Write-back of trade and other payables	–	149
Other income	<u>563</u>	<u>1</u>
Other revenue	<u>872</u>	<u>499</u>
Available-for-sale investments: reclassified from other comprehensive income on disposals	154	–
Reversal of allowance for doubtful debt	2,956	–
Reversal of provision for long service payments	<u>29</u>	<u>–</u>
Other net gain	<u>3,139</u>	<u>–</u>
	<u>4,011</u>	<u>499</u>

5. (LOSS) BEFORE TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(a) Staff costs, including directors' emoluments		
Salaries and wages	17,450	15,729
Contributions to retirement benefit schemes	2,324	1,577
Provision for staff welfare benefits	917	803
	<u>20,691</u>	<u>18,109</u>
(b) Other items		
Auditors' remuneration	628	598
(Reversal of)/allowance for doubtful debts	(2,956)	4,510
Provision for impairment of deposits	395	–
(Reversal of) provision for long service payments	(29)	–
Cost of inventories sold *	51,988	56,723
Research and development costs #	13,773	11,817
Depreciation	478	525
Amortisation of intangible assets (included in other operating expenses) ##	3,250	3,250
Loss on disposal of property, plant and equipment	14	–
Impairment losses on property, plant and equipment	536	–
Available-for-sale investments: reclassified from other comprehensive income on disposals	154	–
Provision for product warranties ##	5,595	5,867
Net exchange loss	33	341
Minimum lease payments under operating lease – land and buildings	<u>1,422</u>	<u>1,565</u>

* Cost of inventories sold includes approximately HK\$10,547,000 (2016: HK\$10,103,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

Research and development costs incurred for the year amounting to approximately HK\$13,773,000 (2016: HK\$11,817,000) which was included in cost of sales.

These items are included in “other operating expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.

6. SEGMENT 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 maker (“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.

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

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities 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. The revenue, gross profits and results of the Group are allocated based on operations of the segments. 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 or amortisation of assets 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 profit or loss and other comprehensive income.

All assets are allocated to reportable segments. All liabilities are allocated to reportable segments other than current tax liabilities.

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 years ended 31 March 2017 and 2016 is set out below.

	PRC		Hong Kong		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Reportable segment revenue						
Inter-segment revenue	700	186	-	-	700	186
Revenue from external customers	54,585	55,897	1,382	2,313	55,967	58,210
	<u>55,285</u>	<u>56,083</u>	<u>1,382</u>	<u>2,313</u>	<u>56,667</u>	<u>58,396</u>
Reportable segment profit/(loss)	<u>(3,905)</u>	<u>(11,095)</u>	<u>744</u>	<u>1,933</u>	<u>(3,161)</u>	<u>(9,162)</u>
Research and development costs	(13,773)	(11,817)	-	-	(13,773)	(11,817)
Bank interest income	15	152	294	197	309	349
Available-for-sale investments:						
reclassified from other comprehensive income on disposals	154	-	-	-	154	-
Depreciation	(476)	(523)	(2)	(2)	(478)	(525)
Amortisation of intangible assets	(3,250)	(3,250)	-	-	(3,250)	(3,250)
Impairment losses on property, plant and equipment	(536)	-	-	-	(536)	-
Reversal of/(allowance for) doubtful debts	2,956	(4,510)	-	-	2,956	(4,510)
Provision for product warranties	(5,595)	(5,867)	-	-	(5,595)	(5,867)
Provision for impairment of deposits	(395)	-	-	-	(395)	-
Reportable segment assets	<u>79,040</u>	<u>90,644</u>	<u>77,076</u>	<u>7,667</u>	<u>156,116</u>	<u>98,311</u>
Reportable segment assets includes:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>126</u>	<u>284</u>	<u>7</u>	<u>2</u>	<u>133</u>	<u>286</u>
Reportable segment liabilities	<u>33,311</u>	<u>30,812</u>	<u>3,143</u>	<u>3,097</u>	<u>36,454</u>	<u>33,909</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Total reportable segments' revenue	56,667	58,396
Elimination of inter-segment revenue	<u>(700)</u>	<u>(186)</u>
Consolidated revenue	<u>55,967</u>	<u>58,210</u>
(Loss)		
Total reportable segments' (loss)	(3,161)	(9,162)
Elimination of inter-segment loss/(profit)	<u>21</u>	<u>(186)</u>
Reportable segment (loss) derived from		
Group's external customers	(3,140)	(9,348)
Bank interest income	309	349
Available-for-sale investments: reclassified from other comprehensive income on disposals	154	–
Unallocated head office and corporate expenses	<u>(19,227)</u>	<u>(19,771)</u>
Consolidated (loss) before tax expenses	<u>(21,904)</u>	<u>(28,770)</u>
Assets		
Total reportable segments' assets	156,116	98,311
Elimination of inter-segment receivables	<u>(3,192)</u>	<u>(3,222)</u>
Consolidated total assets	<u>152,924</u>	<u>95,089</u>
Liabilities		
Total reportable segments' liabilities	36,454	33,909
Elimination of inter-segment payables	<u>(3,192)</u>	<u>(3,222)</u>
Current tax liabilities	33,262	30,687
	<u>6,986</u>	<u>7,473</u>
Consolidated total liabilities	<u>40,248</u>	<u>38,160</u>

(c) **Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Supply, development and integration of passenger information management system	<u>55,967</u>	<u>58,210</u>

(d) **Other geographical information**

	Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PRC	26,092	30,360
Hong Kong	<u>9</u>	<u>6</u>
	<u>26,101</u>	<u>30,366</u>

The Group's non-current assets, which include property, plant and equipment and intangible assets. The geographical location of the Group's non-current assets are based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible assets.

(e) **Information about major customers**

Revenue from three (2016: two) customers in the PRC operating and reportable segment amounted to approximately HK\$30,736,000, HK\$6,393,000 and HK\$5,728,000 (2016: HK\$17,347,000 and HK\$14,431,000), which individually represent more than 10% of the Group's total revenue.

No other single customer contributed 10% or more to the Group's total revenue for both 2017 and 2016.

7. INCOME TAX

- (a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current year provision:		
PRC enterprise income tax	–	19
Deferred taxation		
Origination and reversal of temporary differences	–	–
	<u>–</u>	<u>19</u>

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 year. (2016: Nil)

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

Except for Guangzhou GL as mentioned above, the remaining subsidiaries located in the PRC are subject to the PRC EIT rate of 25% (2016: 25%) on its assessable profits.

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

- (b) Reconciliation between tax expenses and accounting (loss) at the applicable tax rates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(Loss) before taxation	<u>(21,904)</u>	<u>(28,770)</u>
Notional tax on (loss) before taxation, calculated		
at the rates applicable to (loss) in the countries concerned	(4,052)	(4,698)
Tax effect of non-taxable income	(62)	(64)
Tax effect of non-deductible expenses	1,710	743
Tax effect of unused tax losses not recognised	2,879	3,858
Tax effect of deductible temporary differences not recognised	(475)	161
Others	–	19
Tax expenses	<u>–</u>	<u>19</u>

8. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2016: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately HK\$21,904,000 (2016: HK\$28,788,000) and the weighted average number of approximately 2,034,013,000 ordinary shares (2016: 1,088,808,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares for the purpose of basic loss per share

	2017 '000	2016 '000
Issued ordinary shares at the beginning of the year	1,088,808	1,088,808
Effect of new shares issued	<u>945,205</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,034,013</u>	<u>1,088,808</u>

(b) Diluted loss per share

The basic and diluted loss per share are the same for the years ended 31 March 2017 and 31 March 2016, as the warrants outstanding during the year are anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables and bills receivables	40,765	54,475
Less: allowance for doubtful debts	<u>(11,600)</u>	<u>(15,456)</u>
	29,165	39,019
Other receivables	<u>1,283</u>	<u>1,967</u>
	<u>30,448</u>	<u>40,986</u>

Included in trade receivables are retention monies receivable of approximately HK\$5,015,000 (2016: HK\$4,208,000), which are withheld and will be released upon the expiry of maintenance periods.

All of the trade and other receivables are expected to be recovered within one year, except for retention monies receivables of approximately HK\$2,469,000 (2016: HK\$3,319,000) which are expected to be recovered after more than one year.

Age analysis

The following is an analysis of trade receivables by age, presented the respective revenue recognition dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	9,546	21,862
Between 91 and 180 days	11,666	10,492
Between 181 and 365 days	1,546	1,138
Between 1 and 2 years	1,392	1,285
Over 2 years	–	34
	<hr/>	<hr/>
Retention receivables	24,150	34,811
	5,015	4,208
	<hr/>	<hr/>
	29,165	39,019

Customers are generally granted with credit terms of 90 days. Generally, the Group does not hold any collaterals from customers.

11. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	11,680	10,818
Other payables	2,085	2,027
Accrued wages	1,884	918
Payables for value-added tax	1,408	3,424
Deposits received from customers	1,636	723
	<hr/>	<hr/>
	18,693	17,910

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Included in trade and other payables are trade payables presented based on the purchase recognition date, that is, goods receipt date, with the following ageing analysis as at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	3,268	6,331
Between 91 and 180 days	3,098	2,111
Between 181 and 365 days	4,835	2,103
Between 1 and 2 years	399	185
Over 2 years	80	88
	<hr/>	<hr/>
	11,680	10,818

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

FINANCIAL REVIEW

Turnover

Over the past year, the Group supplied 10 train routes in domestic cities with passenger information systems according to the delivery plans of signed contracts for the supply of goods. The turnover of the Group for the year amounted to approximately HK\$55,967,000, representing a decrease of 4% as compared with last year.

Gross profit and loss attributable to equity shareholders

As at 31 March 2017, the Group recorded gross profit of approximately HK\$3,979,000 with gross profit margin of 7%. Loss after tax of was approximately HK\$21,904,000. Loss attributable to equity shareholders of the Company amounted to approximately HK\$21,904,000.

Selling expenses

Selling expenses amounted to approximately HK\$9,604,000, an increase of 31% as compared with that of the corresponding period last year. The increase is mainly attributable to the Group's increase in investment in business development in order to secure sales contracts for high quality projects. In addition, the promotion of CA-SIM has contributed to the increase in selling expenses.

Administrative expenses

The administrative expenses for the year decreased from HK\$14,325,000 of last year to approximately HK\$11,445,000. The expense budget of the Group is under effective control.

Other operating expenses

Other operating expenses incurred during the period amounted to approximately HK\$8,845,000. Other operating expenses included repair and maintenance expenses for product maintenance warranty of approximately HK\$5,595,000 and amortization expenses for intangible asset CA-SIM of approximately HK\$3,250,000. Systems engineering maintenance was provided for projects delivered but still within warranty period during the year, and provision for product maintenance warranty was made for such projects.

Other revenue and other net gain

During the period, other revenue and other net gain amounted to approximately HK\$4,011,000, representing a significant increase as compared with HK\$499,000 of the corresponding period of last year, mainly due to the Group has adopted measures to enhance its cash flows management and promote the collection of receivables, resulting in written-back of previous provided receivable during the period.

BUSINESS REVIEW

During the period under review, governments in all levels promoted the Smart City project development and accelerated the implementation of “Internet + people’s livelihood services” by leveraging cloud platforms and big data to serve people’s livelihood and enhance people’s satisfaction.

After recent years’ in-depth research, planning and argument on the Panyu District’s Smart City project development and people’s livelihood application, as well as closely connecting, integrating and extensively discussing with the government of Panyu District and relevant authorities by the Group, on 6 January 2017, 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”) has reached tripartite strategic cooperation with the government of Panyu District and Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) (“Golden Card Company”), and entered into a framework agreement in respect of the application of mobile phone people’s livelihood cards. The agreement stipulated that, under the guideline provided by the government of Panyu District, Global Link Intelligent will provide Golden Card Company with assistance to kick off the comprehensive issuance of mobile phone people’s livelihood cards (CA-SIM) in Panyu, and to achieve the development and compatibility of the application scenarios of each livelihood service in Panyu District, so as to promote the extensive application of the livelihood services in Panyu and development and operating of Panyu Smart City.

Being as an innovative card of Panyu people’s livelihood card, CA-SIM will be linked to the Panyu people’s livelihood service platform and integrated with unique people’s livelihood ID and compatible with various applications in all areas of Panyu’s people’s livelihood. It will help the government of Panyu to fully promote the Smart City project development in the district with “Internet +” model by leveraging the technologies such as smart hardware, mobile internet, cloud computation and IOT interaction and platform operation.

Global Link Intelligent is acting as a technical supporting, card issuance assisting and operating company of Panyu mobile phone people's livelihood card. A detailed card issuance plan for 2017 in relation to the application of mobile phone people's livelihood card in all areas of people's livelihood is to be formulated by us together with the government of Panyu. Global Link Intelligent will devote to providing the government of Panyu and Golden Card Company with assistance in proactively implementing the "Internet + people's livelihood service", strengthening the popularity of people's livelihood cards and vigorously promoting the construction and cooperation in government, education, population management, transportation, emergency, medical treatment, convenience services and tourism fields, to achieve the overall objective of "people's livelihood services and one transit smart card" and the aim of providing convenience and benefits to people.

Guangzhou Global Link Communications Inc. remains engaged in providing overall solution for rail transit information systems as its major business. During the year, Guangzhou Global Link focused on the maintenance services for the newly launched projects in Guangzhou, Wuhan, Fuzhou, Harbin and Hong Kong and also provided operation and maintenance management and after-sales services for projects in operation in over ten cities in Malaysia, Turkey, Beijing, Shenyang, Dalian, Dongguan, Foshan and Nanning. The company also accomplished system research and development that to be delivered by phases, such as Guangzhou Line 8 North extension, Line 14 and 21, Harbin Line 1 Phase 3, and passed the jointly first train delivery inspection conducted by operators and train manufacturers.

Innovation-driven is the impetus of maintaining the competitive strength of Guangzhou Global Link's system products in the industry. Its research and development department has been working closely with marketing department, staying alert with the market needs, making active innovation and scientific planning research and development for various types of vehicles, so as to gain recognition of vehicle manufacturers and both existing and new clients amid such highly competitive industry. During the year, Guangzhou Global Link has obtained new order contracts such as the first metro line in Pakistan and Phase II project in Ankara of Turkey, and several purchase orders for spare parts and accessories from existing lines in operation.

BUSINESS OUTLOOK

2017 is a critical year in fully implementing the 13th Five-year Plan, carrying forward the structural adjustment, transformation and upgrade. With great investment devoted under the State's "Internet +" strategy and Smart City construction by local governments, the Group's patented CA-SIM technology remains competitive in this area. Based on solid cooperation with Guangzhou Panyu District, we will proceed with in-depth and extensive cooperation with telecommunications operators and entities by means of entity system integration and transformation, PPP of construction projects and resources sharing for operating services, thereby expanding its footprints to more regions and cities with the pioneering implementation plans.

We will attach great importance on the tremendous opportunities arising from “The Belt and Road Initiative”. In addition to actively participate in bidding offered by the enterprises under CRRC, we will also study thoroughly the industrial policies and relevant laws and regulations in different countries and overseas jurisdictions. We will make efforts in exploring resources and identifying business partners, so as to continuously enhance our capabilities under “The Belt and Road Initiative” and further expand our product coverage.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since the last accounting year.

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2017, the Group had a total cash and bank balances, amounted to approximately HK\$86,600,000 (2016: approximately HK\$12,482,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had net current assets of approximately HK\$86,602,000 (2016: approximately HK\$26,619,000), of which approximately HK\$86,600,000 (2016: approximately HK\$12,482,000) 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.

FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to United States dollars and Hong Kong dollars. No hedging or other alternatives have been implemented. The Group continues to monitor its exposure closely and will take measures to lower the foreign currency risk when necessary.

EMPLOYEE AND SALARIES POLICY

As at 31 March 2017, the Group had 186 employees (2016: 180 employees), with 178 employees and 8 employees employed in the PRC and Hong Kong respectively.

	At 31 March 2017	At 31 March 2016
	Number of staff	Number of staff
Management, finance and administration	31	30
Research and development	74	52
Sales and after-sales maintenance	81	98
	<hr/>	<hr/>
Total	186	180

The total staff costs, including Directors' emoluments, amounted to approximately HK\$20,691,000 (2016: approximately HK\$18,109,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including Mandatory Provident Fund Scheme, social insurance, medical insurance and accident insurance.

RESTRICTED AND PLEDGED BANK DEPOSIT

As at 31 March 2017, the Group's bank deposit of approximately HK\$1,141,000 (2016: HK\$1,220,000) was pledged to a bank for securing the performance bonds issued by the bank on behalf of the Group to a customer of the Group. The pledged bank deposit was released upon the discharge of performance bonds after the end of the reporting period.

In addition, the Group had bank deposit of approximately HK\$853,000 which was under freezing orders in relation to the legal dispute between the Group and its supplier and restricted to use.

The Group did not have any other pledge of assets as at 31 March 2017.

PERFORMANCE BOND AND CONTINGENT LIABILITIES

Performance bond

As at 31 March 2017, the Group had a performance bond of approximately HK\$1,141,000 (2016: HK\$1,013,000). This was due to a performance bond given by a bank in favour of a customer of the Group as security for the due performance of the Group's obligations under a sales contract entered into between the Group and its customer. The performance bond is secured by pledged bank deposits. If the Group fails to provide satisfactory performance to its customer to whom performance bond has been given, such customer may demand the bank to pay to it the sum or sums stipulated in such demand. The Group will then become liable to compensate such bank accordingly. The performance bond was discharged after the end of the reporting period.

Litigation

During the year, litigations were brought against the Group's subsidiary namely, 廣州國聯通信有限公司 (Guangzhou Global Link Communications Inc.), by one of its suppliers (the "Plaintiff") in relation to disputes in purchase transactions and being claimed for aggregate amounts of approximately HK\$1,861,000 in respect of the delayed payment. The purchase amounts of approximately HK\$1,861,000 had been accrued by 廣州國聯通信有限公司 (Guangzhou Global Link Communications Inc.) as at the end of the reporting period.

The Plaintiff was granted freezing orders by the PRC Court over the bank deposit of 廣州國聯通信有限公司 (Guangzhou Global Link Communications Inc.). As at 31 March 2017, bank deposit of approximately HK\$853,000 was frozen under the court orders.

The disputes had been finalised after the end of the reporting period and the court ordered to release the frozen bank deposits in April 2017.

The Group did not have any other significant contingent liabilities as at 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

SHARE SUBSCRIPTION AGREEMENT AND UNCONDITIONAL MANDATORY CASH OFFER

Share Subscription Agreement

Pursuant to a subscription agreement (the “Subscription Agreement”) dated 27 February 2016 between the Company and Honor Crest Holdings Limited (the “Subscriber”), the Company conditionally agreed to allot and issue to, and the Subscriber agreed to subscribe for, 1,000,000,000 shares of the Company (the “Subscription Shares”) at a subscription price of HK\$0.08 per Subscription Share.

The Subscriber is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of International Elite Ltd. (stock code: 1328), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (“IEL”).

Completion of the Subscription Agreement took place on 21 April 2016. As a result of the completion, adjustments have been made to the exercise price of the Warrants and the number of shares of the Company to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants. Such adjustments have become effective on the date of the issue of the Subscription Shares (i.e. 21 April 2016). For details and effects of the completion please refer to the announcements of the Company dated 30 March 2016 and 21 April 2016 and the circular published by the Company dated 30 March 2016 (the “circular”).

Unconditional Mandatory Cash Offer

Immediately prior to the entering into of the Subscription Agreement, IEL is interested in 128,000,000 shares of the Company, representing approximately 11.76% of the entire issued share capital of the Company at the time. Immediately after completion, the Subscriber and the parties acting in concert with it will be interested in 1,128,000,000 shares of the Company, representing approximately 54.00% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming none of the outstanding Warrants have been exercised).

Pursuant to Rule 26.1 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the “Takeovers Code”), the Subscriber is required to make an unconditional mandatory cash offer for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it), the offer price for each of such shares shall be equivalent to the subscription price per Subscription Share (i.e. HK\$0.08) (the “Offer”). The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the shares or any other conditions.

The Offer was closed on 19 May 2016. Subsequent to completion of the Offer, IEL and parties acting in concert with it were interested in total of 1,128,020,000 shares of the Company, representing approximately 54.00% of the entire issued share capital of the Company. For details please refer to the joint announcement of the Company and IEL dated 19 May 2016.

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\$12.1 million had been utilised as at 31 March 2017. The breakdown of the Company’s actual use of the Subscription Proceeds as at 31 March 2017 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular <i>HK\$ million</i>	Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 March 2017 <i>HK\$ million</i>
The Company’s existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	3.0
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	6.8
Working capital	7.9	2.3
Total	79.0	12.1

Based on the current market condition, the Board is planning to utilise approximately HK\$9.3 million, HK\$10.0 million and HK\$2.7 million on (i) urban rail transit business projects, (ii) development of the “Smart City” projects and relevant research and development, and (iii) working capital, respectively, in the financial year ending 31 March 2018.

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

As at 31 March 2017, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

CHANGE IN SHAREHOLDING

On 10 January 2017, Mr. Li has in his personal capacity acquired in aggregate approximately 331,003,816 issued shares of the Company, of which Mr. Li has acquired 244,565,200 Shares from our executive director, Mr. Ma Yuanguang (“Mr. Ma”), the remaining of which were acquired from three independent third parties (the “Transactions”).

Immediately after the completion of the Transactions, (i) Mr. Li, through his controlling companies, his spouse, and in his personal capacity, is interested in aggregate 1,381,784,136 Shares, representing approximately 66.15% of the total issued shares of the Company as at 31 March 2017; and (ii) Mr. Ma is interested in 10,556,000 Shares, representing approximately 0.51% of the total issued shares of the Company as at 31 March 2017.

CORPORATE GOVERNANCE

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. Save as disclosed below, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules throughout the period under review.

The code provision A2.1 of the Corporate Governance Code and Corporate Governance Report stipulates that the roles of the chairman of the Board and chief executive should be separate and should not be performed by the same individual. Mr. Ma Yuanguang was appointed as the chief executive of the Company with effect from 16 December 2014 and continued to be the chairman of the Board as of 31 March 2016. Appropriate measures have been taken to ensure the balance of power and authority between the Board and the management. Mr. Ma subsequently resigned as the chairman of the Board on 26 May 2016 and Mr. Li Kin Shing was appointed as the chairman of the Board with effective from 26 May 2016.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group’s financial matters to the Board. As at the date of this announcement, the Audit Committee comprises three members, Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Cheung Sai Ming.

The Group’s annual audited results during the year ended 31 March 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

On behalf of the Board

LI Kin Shing

Chairman

Hong Kong, 23 June 2017

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. LI Kin Shing, Mr. MA Yuanguang and Mr. WONG Kin Wa; and (ii) three independent non-executive Directors, namely Mr. LEUNG Kwok Keung, Mr. CHEUNG Sai Ming and Mr. LIU Chun Bao.