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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 2018**

**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.

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 2018 was approximately HK\$93,150,000, representing an increase of approximately 66%, as compared with that for the year ended 31 March 2017.
- Loss attributable to equity shareholders of the Company was approximately HK\$4,777,000 for the year ended 31 March 2018, representing a decrease of 78% as compare to the loss of approximately HK\$21,904,000 for the corresponding period last year.
- The board of the Directors does not recommend the payment of final dividend for the year ended 31 March 2018.

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 2018 together with the audited comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	93,150	55,967
Cost of sales		<u>(68,639)</u>	<u>(51,988)</u>
Gross profit		24,511	3,979
Other revenue and other net gain	4	3,893	4,011
Selling expenses		(15,614)	(9,604)
Administrative expenses		(11,521)	(11,445)
Other operating expenses		<u>(5,993)</u>	<u>(8,845)</u>
(Loss) from operation		(4,724)	(21,904)
Finance costs		<u>(54)</u>	–
(Loss) before taxation	5	(4,778)	(21,904)
Income tax	7	–	–
(Loss) for the year		<u>(4,778)</u>	<u>(21,904)</u>
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 difference on translating financial statements of foreign operations:			
Exchange differences arising during the year		<u>2,049</u>	<u>(1,509)</u>
Other comprehensive income/(loss) for the year, net of income tax		<u>2,049</u>	<u>(1,509)</u>
Total comprehensive (loss) for the year		<u>(2,729)</u>	<u>(23,413)</u>
(Loss) attributable to:			
Equity shareholders of the Company		(4,777)	(21,904)
Non-controlling interests		<u>(1)</u>	–
		<u>(4,778)</u>	<u>(21,904)</u>
Total comprehensive (loss) attributable to:			
Equity shareholders of the Company		(2,728)	(23,413)
Non-controlling interests		<u>(1)</u>	–
		<u>(2,729)</u>	<u>(23,413)</u>
(Loss) per share		<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted	9	<u>(0.23)</u>	<u>(1.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,641	914
Intangible assets		<u>21,937</u>	<u>25,187</u>
		<u>23,578</u>	<u>26,101</u>
Current assets			
Inventories		1,919	3,563
Available-for-sale investments		–	1,802
Trade and other receivables	<i>10</i>	68,678	30,448
Deposits and prepayments		6,148	2,416
Restricted and pledged bank deposit		–	1,994
Cash and cash equivalents		<u>72,153</u>	<u>86,600</u>
		<u>148,898</u>	<u>126,823</u>
Current liabilities			
Trade and other payables	<i>11</i>	37,666	18,693
Provision		17,123	14,542
Provision for taxation		<u>7,740</u>	<u>6,986</u>
		<u>62,529</u>	<u>40,221</u>
Net current assets		<u>86,369</u>	<u>86,602</u>
Total assets less current liabilities		<u>109,947</u>	<u>112,703</u>
Non-current liability			
Provision for long service payments		<u>–</u>	<u>27</u>
Net assets		<u>109,947</u>	<u>112,676</u>
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital		20,888	20,888
Reserves		<u>89,086</u>	<u>91,814</u>
		109,974	112,702
Non-controlling interests		<u>(27)</u>	<u>(26)</u>
Total equity		<u>109,947</u>	<u>112,676</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to equity shareholders of the Company									Non-controlling interests	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 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 and 1 April 2017	20,888	158,967	-	2,135	9,184	186	(89,465)	10,807	112,702	(26)	112,676
Loss for the year	-	-	-	-	-	-	(4,777)	-	(4,777)	(1)	(4,778)
Exchange differences on translating of financial statements of foreign operations	-	-	-	-	2,049	-	-	-	2,049	-	2,049
Total comprehensive income/(loss) for the year	-	-	-	-	2,049	-	(4,777)	-	(2,728)	(1)	(2,729)
Lapse of warrants	-	-	-	-	-	(186)	186	-	-	-	-
Appropriation to statutory reserve	-	-	-	-	-	-	(2,077)	2,077	-	-	-
At 31 March 2018	<u>20,888</u>	<u>158,967</u>	<u>-</u>	<u>2,135</u>	<u>11,233</u>	<u>-</u>	<u>(96,133)</u>	<u>12,884</u>	<u>109,974</u>	<u>(27)</u>	<u>109,947</u>

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. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the group. None of these impact on the accounting policies of the Group.

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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from the supply, development and integration of passenger information management system	<u>93,150</u>	<u>55,967</u>

4. OTHER REVENUE AND OTHER NET GAIN

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank interest income *	537	309
Other income	<u>260</u>	<u>563</u>
Other revenue	<u>797</u>	<u>872</u>
Available-for-sale investments: reclassified from other comprehensive income on disposals	–	154
Investment income	41	–
Reversal of allowance for doubtful debt	3,028	2,956
Reversal of provision for long service payments	<u>27</u>	<u>29</u>
Other net gain	<u>3,096</u>	<u>3,139</u>
	<u><u>3,893</u></u>	<u><u>4,011</u></u>

* The bank interest income was not generated from a financial assets at fair value through profit or loss.

5. (LOSS) BEFORE TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
a) Staff costs, including directors' emoluments		
Salaries and wages	20,027	17,450
Contributions to retirement benefit schemes	2,662	2,324
Provision for staff welfare benefits	<u>1,233</u>	<u>917</u>
	<u>23,922</u>	<u>20,691</u>
b) Other items		
Auditors' remuneration	650	628
(Reversal of) allowance for doubtful debts	(3,028)	(2,956)
Provision for impairment of deposits	299	395
(Reversal of) provision for long service payments	(27)	(29)
Cost of inventories sold *	68,639	51,988
Research and development costs #	9,844	13,773
Depreciation	617	478
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)
Investment income	(41)	–
Provision for product warranties ##	2,743	5,595
Net exchange loss	518	33
Minimum lease payments under operating lease – land and buildings	<u>1,649</u>	<u>1,422</u>

- * Cost of inventories sold includes approximately HK\$9,331,000 (2017: HK\$10,547,000) 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\$9,844,000 (2017: HK\$13,773,000) 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
c) Finance Cost		
Bank charges	<u>54</u>	<u>–</u>

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 the 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 profit 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 2018 and 2017 is set out below:

	The PRC		Hong Kong		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Reportable segment revenue						
Inter-segment revenue	-	700	-	-	-	700
Revenue from external customers	<u>92,787</u>	<u>54,585</u>	<u>363</u>	<u>1,382</u>	<u>93,150</u>	<u>55,967</u>
	<u>92,787</u>	<u>55,285</u>	<u>363</u>	<u>1,382</u>	<u>93,150</u>	<u>56,667</u>
Reportable segment profit/(loss)	<u>17,260</u>	<u>(3,905)</u>	<u>(3,033)</u>	<u>744</u>	<u>14,227</u>	<u>(3,161)</u>
Research and development costs	(9,844)	(13,773)	-	-	(9,844)	(13,773)
Bank interest income	504	15	33	294	537	309
Available-for-sale investments: reclassified from other comprehensive income on disposals	-	154	-	-	-	154
Investment income	41	-	-	-	41	-
Depreciation	(615)	(476)	(2)	(2)	(617)	(478)
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	3,028	2,956	-	-	3,028	2,956
Provision for product warranties	(2,743)	(5,595)	-	-	(2,743)	(5,595)
Provision for impairment of deposits	(299)	(395)	-	-	(299)	(395)
Reportable segment assets	<u>110,602</u>	<u>79,040</u>	<u>65,411</u>	<u>77,076</u>	<u>176,013</u>	<u>156,116</u>
Reportable segment assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,285</u>	<u>126</u>	<u>-</u>	<u>7</u>	<u>1,285</u>	<u>133</u>
Reportable segment liabilities	<u>54,946</u>	<u>33,311</u>	<u>3,380</u>	<u>3,143</u>	<u>58,326</u>	<u>36,454</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue:		
Total reportable segments' revenue	93,150	56,667
Elimination of inter-segment revenue	<u> -</u>	<u> (700)</u>
Consolidated revenue	<u>93,150</u>	<u>55,967</u>
Profit/(loss):		
Total reportable segments' profit/(loss)	14,227	(3,161)
Elimination of inter-segment profit	<u> -</u>	<u> 21</u>
Reportable segment profit/(loss) derived from Group's external customers	14,227	(3,140)
Bank interest income	537	309
Available-for-sale investments: reclassified from other comprehensive income on disposals	41	154
Unallocated head office and corporate expenses	<u>(19,583)</u>	<u>(19,227)</u>
Consolidated (loss) before tax expenses	<u>(4,778)</u>	<u>(21,904)</u>
Assets		
Total reportable segments' assets	176,013	156,116
Elimination of inter-segment receivables	<u>(3,537)</u>	<u>(3,192)</u>
Consolidated total assets	<u>172,476</u>	<u>152,924</u>
Liabilities		
Total reportable segments' liabilities	58,326	36,454
Elimination of inter-segment payables	<u>(3,537)</u>	<u>(3,192)</u>
Current tax liabilities	54,789	33,262
	<u>7,740</u>	<u>6,986</u>
Consolidated total liabilities	<u>62,529</u>	<u>40,248</u>

(c) Revenue from major products and services

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Supply, development and integration of passenger information management system	<u>93,150</u>	<u>55,967</u>

(d) Other geographical information

	Non-current assets	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The PRC	23,572	26,092
Hong Kong	<u>6</u>	<u>9</u>
	<u>23,578</u>	<u>26,101</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 two (2017: three) customers in the PRC operating and reportable segment amounted to approximately HK\$51,045,000 and HK\$19,745,000 (2017: HK\$30,736,000, HK\$6,393,000 and HK\$5,728,000), which individually represent more than 10% of the Group's total revenue.

One customer contributed 10% or more to the Group's total revenue for both 2018 and 2017.

7. INCOME TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current year provision:		
PRC enterprise income tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</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 (2017: Nil).

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

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

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) before taxation	<u>(4,778)</u>	<u>(21,904)</u>
Notional tax on (loss) before taxation, calculated at the rates applicable to (loss) in the countries concerned	(2,700)	(4,052)
Tax effect of non-taxable income	(83)	(62)
Tax effect of non-deductible expenses	1,415	1,710
Tax effect of unused tax losses not recognised	1,178	2,879
Tax effect of taxable temporary differences not recognised	323	-
Tax effect of deductible temporary differences not recognised	<u>(133)</u>	<u>(475)</u>
Tax expense/(credit)	<u>-</u>	<u>-</u>

8. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2017: 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\$4,777,000 (2017: HK\$21,904,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2017: 2,034,013,000 ordinary shares) in issue during the year, calculated as follows:

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

	2018 '000	2017 '000
Issued ordinary shares at the beginning of the year	2,088,808	1,088,808
Effect of new shares issued	—	945,205
	<u>2,088,808</u>	<u>2,034,013</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,088,808</u>	<u>2,034,013</u>

(b) Diluted loss per share

The basic and diluted loss per share are the same for the years ended 31 March 2018 and 31 March 2017, as the warrants outstanding during the year are anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade and bills receivables	76,776	40,765
Less: Allowance for doubtful debts	<u>(9,368)</u>	<u>(11,600)</u>
	67,408	29,165
Other receivables	<u>1,270</u>	<u>1,283</u>
	<u>68,678</u>	<u>30,448</u>

Included in trade receivables are retention receivable of approximately HK\$4,780,000 (2017: HK\$5,015,000), 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 receivables of approximately HK\$2,007,000 (2017: HK\$2,469,000) which are expected to be recovered after more than one year.

Certain bills receivables of approximately HK\$2,495,000 (2017: nil) were pledged to a bank for securing the bills issued by the bank on behalf of the Group to suppliers of the Group.

Age analysis

The following is an analysis of trade receivables and bills receivables by age, presented the respective revenue recognition dates and the issuance date of relevant bills respectively:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 90 days	43,174	9,546
Between 91 and 180 days	12,226	11,666
Between 181 and 365 days	1,278	1,546
Between 1 and 2 years	5,282	1,392
Over 2 years	668	–
	<u>62,628</u>	<u>24,150</u>
Retention receivables	4,780	5,015
	<u>67,408</u>	<u>29,165</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	23,963	11,680
Other payables	2,261	2,085
Bills payable	2,495	–
Accrued wages	946	1,884
Payables for value-added tax	3,933	1,408
Deposits received from customers	4,068	1,636
	<u>37,666</u>	<u>18,693</u>

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 90 days	15,869	3,268
Between 91 and 180 days	4,870	3,098
Between 181 and 365 days	2,248	4,835
Between 1 and 2 years	758	399
Over 2 years	218	80
	<u>23,963</u>	<u>11,680</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Over the past year, the Group supplied 9 train routes in domestic and foreign 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\$93,150,000, representing an increase of approximately 66% as compared with last year.

Gross profit and loss attributable to equity shareholders

For the year ended 31 March 2018, the Group recorded gross profit of approximately HK\$24,511,000 with gross profit margin of 26%. Loss after tax was approximately HK\$4,778,000. Loss attributable to equity shareholders of the Company amounted to approximately HK\$4,777,000, representing a decrease of 78% as compared to the loss of approximately HK\$21,904,000 for the corresponding period last year.

Selling expenses

Selling expenses for the year amounted to approximately HK\$15,614,000, representing an increase of 63% as compared with that of the corresponding period last year, which was mainly attributable to approximately HK\$6,543,000 devoted to market development along with the construction of Smart City in Panyu District, Guangzhou by Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司) (“**Guangzhou Global Link Intelligent**”), a subsidiary of the Group. The investment in the market of train information system products for rail transit by Guangzhou Global Link Communications Inc. (“**Guangzhou GL**”) amounted to approximately HK\$9,071,000, representing a slight increase as compared with last year.

Administrative expenses

The administrative expenses for the year amounted to approximately HK\$11,521,000, representing an increase of approximately HK\$76,000 as compared with approximately HK\$11,445,000 for the corresponding period last year. The expense budget of the Group has always been under effective control.

Other operating expenses

Other operating expenses for the year amounted to approximately HK\$5,993,000, which, in addition to the amortisation of intangible asset CA-SIM of approximately HK\$3,250,000, comprised of a provision for product warranties made by the Group of approximately HK\$2,743,000 for the year for train information system products based on supply sales of rail transit.

Other revenue and other net gain

Other revenue and other net gain amounted to approximately HK\$3,893,000, representing a slight decrease of 3% as compared with approximately HK\$4,011,000 for the corresponding period last year, mainly due to the enhanced cash flow management and proactive collection of receivables of the Group, resulting in writing-back of previous provided receivables during the period.

BUSINESS REVIEW

During the year under review, Smart City construction remained the focus of the Group's operating transformation. Guangzhou Global Link Intelligent, a wholly-owned subsidiary of the Group, continued to focus on the implementation of Smart City construction of Panyu District, Guangzhou. On the basis of tripartite strategic cooperation with the administration office of 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) ("**Guangzhou Xinghai**") and the issuance of mobile phone CA-SIM people's welfare cards (the "**People's Welfare Cards**") in the previous year, Guangzhou Global Link Intelligent actively communicated and negotiated with each telecom operator in respect of the implementation of the issuance and service management of the People's Welfare Cards. Negotiation of the cooperation also took a longer time due to changes in operating policies of the operators. Nevertheless, a cooperation scheme has been determined in recent months and an agreement has been reached on the user package, card issuance process, after-sales services and other aspects. It's expected that the issuance of mobile phone People's Welfare Cards within the whole district will be commenced in the second half of 2018.

During the year, the team of Guangzhou Global Link Intelligent has contributed a vast amount of talent and technology resources and funds to the implementation of the Smart City project, which was mainly reflected in the following matters: 1) the implementation of smart access control system in community service stations of the government of Panyu District, under which swiping of the mobile phone People's Welfare Cards online, face recognition and other digital network functions are available for entry and exit. More than 30 service station projects have been completed during the year, and there will be more than 200 service stations to be installed and implemented in the coming year; 2) innovated development aiming for "Smart Construction", which included the creation of APP of operating services, software of management systems as well as business modes of end products and operating services, etc. Currently, the commercial conditions for the issuance of People's Welfare Cards have been met preliminarily; 3) the mobile phone People's Welfare Cards have been put into trial use among certain civil servants in the district government and are currently used in canteen consumption in the district government, parking services in the tourist attractions in the district, community service stations and other projects. The Company also encountered with various kinds of difficulties and challenges brought by the new technical development in project construction, whereas it still took the initiative to coordinate and strive to push forward the project progress. In the coming year, mobile phone People's Welfare Cards will be launched and put into operation one-by-one in smart transportation, tourism, medical education and floating population management as they are progressively issued. In the meantime, it can be expected that the issuance and operation of mobile phone People's Welfare Cards will bring new driving force to the Group's operating revenue growth.

This year is relatively a peak year of products delivery for Guangzhou GL. Products delivered included nearly 10 operating lines, such as Northern Extension of Guangzhou Metro Line 8, Guangzhou Line 14/21, Phase 3 of Harbin Metro Line 1, Wuhan Metro Line 21, Southern Extension of Wuhan Metro Line 2, Pakistan Lahore Rail Transit Orange Line, Ankara of Turkey Project and Malaysia ETS2 and DMU etc., which has therefore resulted in a substantial increase in the Company's operating income for the year compared with the previous year. As the urban rail transit construction develops, the requirements of operators and vehicle manufacturing enterprises for rail transit information are also increasing. Network bandwidth, system processing speed, storage capacity and security measures are all prerequisite conditions for product access. In addition, project products under the "Belt and Road" must satisfy climate, cultural traditions, technical standards and service requirements, etc. of all relevant countries, which differed a lot from system products in the past. While coping with fierce price-performance competition, Guangzhou GL must invest large amount of product innovation resources to achieve the research and development of new projects. In view of the lack of industry professionals in recent years, the rising cost of human resources and product manufacturing is the biggest challenge facing by the Company in its development.

The operations of Guangzhou GL include the maintenance, repair and other guarantee services of dozens of operating projects in more than 10 cities at home and abroad. The service team has overcome the unfavourable conditions, such as regional differences, remoteness and difficulty in recruiting technical service personnel, and consistently worked with the concept of "customer first", therefore gaining recognition from the rail transit operators and creating certain conditions for market expansion of the Company.

BUSINESS OUTLOOK

The year of 2018 marks the 40th anniversary of the reforming and opening up of the PRC government. The implementation of the "Belt and Road" international strategy, the "Greater Bay Development Plan", the "Hainan Pilot Free Trade Zone" and other major policies fully exhibits the commencement of a new round of reforming and opening up journey. Keeping innovation-driven as its impetus and with an unremitting spirit that focuses on the industry as usual, the Group will keep abreast of the industry development and strive to achieve application of its own patented technology in more areas and industries during the "Internet+" informationization construction. With the re-innovation of rail transit products, the market position of the Company has been further consolidated.

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 2018, the Group had total cash and bank balances, amounted to approximately HK\$72,153,000 (2017: approximately HK\$86,600,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had net current assets of approximately HK\$86,369,000 (2017: approximately HK\$86,602,000), of which approximately HK\$72,153,000 (2017: approximately HK\$86,600,000) 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 2018, the Group had 225 employees (2017: 186 employees), with 216 employees and 9 employees employed in the PRC and Hong Kong, respectively.

	At 31 March 2018	At 31 March 2017
	Number of staff	Number of staff
Management, finance and administration	33	31
Research and development	78	74
Sales and after-sales maintenance	114	81
Total	<u>225</u>	<u>186</u>

The total staff costs, including Directors' emoluments, amounted to approximately HK\$23,922,000 (2017: approximately HK\$20,691,000) 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 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 during the year ended 31 March 2018.

In addition, as at 31 March 2017, 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 disputes had been settled during the year ended 31 March 2018, and the court ordered to release the freezed bank deposits in April 2017.

Certain bills receivables of approximately HK\$2,495,000 were pledged to a bank for securing the bills issued by the bank on behalf of the Group to suppliers of the Group.

PERFORMANCE BOND AND CONTINGENT LIABILITIES

Performance bond

As at 31 March 2017, the Group had a performance bond of approximately HK\$1,141,000. 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 during the year ended 31 March 2018.

Litigation

During the year ended 31 March 2017, litigations were brought against Guangzhou GL by one of its suppliers (the "**Plaintiff**") in relation to disputes in purchase transactions and we were claimed for an aggregate amount 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 Guangzhou GL as at 31 March 2017. The Plaintiff was granted freezing orders by the PRC Court over the bank deposit of Guangzhou GL. As at 31 March 2017, bank deposit of approximately HK\$853,000 was frozen under the court orders. The disputes had been settled during the year ended 31 March 2018 and the court ordered to release the freezed bank deposits in April 2017.

The Group did not have any other significant contingent liabilities as at 31 March 2018.

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.

USE OF PROCEEDS FROM THE SUBSCRIPTION COMPLETED ON 21 APRIL 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd., a company listed on the Main Board of the Stock Exchange (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\$37.4 million had been utilised as at 31 March 2018. The breakdown of the Company's actual use of the Subscription Proceeds as at 31 March 2018 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular <i>HK\$ million</i>	Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 March 2018 <i>HK\$ million</i>
The Company's existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	17.7
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	14.2
Working capital	7.9	5.5
Total	<u>79.0</u>	<u>37.4</u>

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

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

As at 31 March 2018, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

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 2018 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, 25 June 2018

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.