CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED
普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 997)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board (the "**Board**") of directors (the "**Directors**") of Chinlink International Holdings Limited (the "**Company**" or "**Chinlink**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2012 (the "**Period**"), together with the comparative figures as follows:—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	**Six months ended 30 September** **2012** ***HK$'000*** **(unaudited)**	2011 *HK$'000* (unaudited) (restated)
Continuing operations			
Revenue	*3*	**80,976**	78,874
Cost of sales and services		**(68,599)**	(45,185)
Gross profit		**12,377**	33,689
Other income, gains and losses		**11**	(1,272)
Selling and distribution costs		**–**	(1,397)
Administrative expenses		**(17,418)**	(22,290)
Share of result of an associate		**–**	(438)
Finance costs	*4*	**(1,766)**	(273)
(Loss) profit before taxation	*5*	**(6,796)**	8,019
Income tax credit (charge)	*6*	**32**	(1,166)
(Loss) profit for the period from continuing operations		**(6,764)**	6,853
Discontinued operations			
Profit for the period from discontinued operations		**–**	3,291
(Loss) profit for the period		**(6,764)**	10,144

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the six months ended 30 September 2012

	Note	Six months ended 30 September **2012** *HK$'000* **(unaudited)**	2011 *HK$'000* (unaudited) (restated)
Other comprehensive income			
Exchange difference arising on translation of foreign operations and to presentation currency		**229**	10,746
Share of translation reserve of an associate		**–**	69
Other comprehensive income for the period		**229**	10,815
Total comprehensive (expense) income for the period		**(6,535)**	20,959
(Loss) profit for the period attributable to:			
Owners of the Company		**(6,764)**	10,456
Non-controlling interests		**–**	(312)
		(6,764)	10,144
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(6,535)**	21,271
Non-controlling interests		**–**	(312)
		(6,535)	20,959
			(restated)
(Loss) earnings per share			
– basic and diluted			
From continuing and discontinued operations	*7*	**(HK0.42 cent)**	HK0.65 cent
From continuing operations	*7*	**(HK0.42 cent)**	HK0.43 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Notes	30.9.2012 HK$'000 (unaudited)	31.3.2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**1,667**	1,727
Deposits paid for acquisition of property, plant and equipment		**875**	–
Rental deposits		**806**	806
		3,348	2,533
Current assets			
Inventories		**8,034**	7,788
Accrued revenue		**15,428**	14,465
Trade receivables	*9*	**12,264**	22,592
Other receivables, deposits and prepayments	*9*	**32,521**	3,316
Amounts due from former subsidiaries		**27,017**	27,017
Tax recoverable		**291**	291
Bank balances and cash		**86,328**	31,339
		181,883	106,808
Current liabilities			
Deferred revenue		**4,860**	2,079
Trade payables	*10*	**24,736**	34,953
Receipts in advance		**13,169**	8,470
Other payables and accruals		**6,350**	7,270
Amount due to ultimate holding company		**4**	3,109
Amounts due to former subsidiaries		**9,536**	9,580
Provision for warranty		**895**	985
Tax payable		**454**	454
Bank and other borrowings		**–**	5,000
Obligations under finance leases		**227**	217
		60,231	72,117
Net current assets		**121,652**	34,691
Total assets less current liabilities		**125,000**	37,224
Non-current liabilities			
Obligations under finance leases		**801**	917
Convertible bonds	*11*	**63,635**	–
Deferred tax liability		**5,391**	–
		69,827	917
		55,173	36,307
Capital and reserves			
Share capital	*12*	**20,000**	20,000
Reserves		**35,173**	16,307
Equity attributable to owners of the Company		**55,173**	36,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as well as with Hong Kong Accounting Standard 34 ("**HKAS 34**") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Upon completion of distribution in specie of shares in a subsidiary during the year ended 31 March 2012, the Group discontinued its interior decoration work and manufacture and sales of furniture and fixtures in United States of America, Europe, the Mainland China and other countries in Asia (except Hong Kong and Macau). The segment information reported in note 3 does not include any amounts for these discontinued operations. The other corresponding financial information for the period ended 30 September 2011 has also been restated accordingly.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

Convertible bonds contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The value of early redemption option derivatives embedded in the convertible bonds which is closely related to the convertible bonds is included in the liability component. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Convertible bonds contain liability and equity components *(continued)*

In addition, in the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfer of financial assets
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. **SEGMENT INFORMATION**

The Group's reportable and operating segments under HKFRS 8 are as follows:

– Interior decoration work
– Trading of furniture and fixtures

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Continuing operations

	Six months ended 30 September 2012		Six months ended 30 September 2011	
	Segment revenue *HK$'000* **(unaudited)**	**Segment profit for the period** *HK$'000* **(unaudited)**	Segment revenue *HK$'000* (unaudited) (restated)	Segment profit for the period *HK$'000* (unaudited) (restated)
Interior decoration work	**52,533**	**2,368**	40,327	7,121
Trading of furniture and fixtures	**28,443**	**1,974**	38,547	16,365
Total	**80,976**	**4,342**	78,874	23,486
Other income, gains and losses		**11**		(1,272)
Share of result of an associate		**–**		(438)
Finance costs		**(1,766)**		(273)
Unallocated corporate expenses		**(9,383)**		(13,484)
(Loss) profit before taxation from continuing operations		**(6,796)**		8,019

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of result of an associate, other income, gains and losses and finance costs. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest on:		
Bank and other borrowings wholly repayable within five years	**525**	273
Obligations under finance leases	**43**	–
Effective interest expense on convertible bonds	**1,198**	–
	1,766	273

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Depreciation of property, plant and equipment	**221**	81
Allowance of bad and doubtful debts, net	**102**	96
Impairment loss recognised on accrued revenue	**–**	502
Interest income	**(6)**	–

6. INCOME TAX CREDIT (CHARGE)

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Current tax:		
Hong Kong	**–**	(1,106)
Other jurisdictions	**(115)**	(60)
	(115)	(1,166)
Deferred tax – current period	**147**	–
Income tax credit (charge) relating to continuing operations	**32**	(1,166)

6. INCOME TAX CREDIT (CHARGE) *(continued)*

During the six months ended 30 September 2012, no provision for Hong Kong Profits Tax has been made since the Group has no assessable profit generated in Hong Kong. The Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the prior period.

Tax from other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions respectively.

7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(6,764)**	10,456

Number of shares

	Six months ended 30 September	
	2012	2011
	'000	*'000*
	(unaudited)	(unaudited)
		(restated)
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**1,600,000**	1,600,000

The number of ordinary shares for the purposes of basic and diluted (loss) earnings per share has been adjusted retrospectively to reflect the impact of Share Subdivision as described in note 12.

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

From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	**(6,764)**	10,456
Less: Profit for the period from discontinued operations attributable to owners of the Company	**–**	(3,603)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(6,764)**	6,853

The denominator used is the same as above for basic and diluted (loss) earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation was HK0.22 cent for the six months ended 30 September 2011, based on the profit for the period from discontinued operations attributable to the owners of the Company of HK$3,603,000 and the denominator used is the same as above for basic earnings per share.

During the six months ended 30 September 2012, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since their exercise would result in a decrease in loss per share.

There was no diluted earnings per share presented for the six months ended 30 September 2011 as there were no potential ordinary shares outstanding during that period.

8. **DIVIDEND**

No dividends were paid, declared or proposed during the current and prior periods. The Directors do not recommend the payment of an interim dividend.

9. TRADE RECEIVABLES AND PREPAYMENTS

The Group's credit terms for its interior decoration business are negotiated with its customers and are usually 6 months to 1 year. The credit terms granted by the Group to other trade debtors are normally 30 days.

The following is an analysis of trade receivables by age, presented based on the invoice date (net of allowance for bad and doubtful debts):

	30.9.2012	31.3.2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**3,622**	18,691
31 – 90 days	**731**	646
> 90 days	**7,911**	3,255
	12,264	22,592

At 30 September 2012, prepayments of approximately HK$30,900,000 (31 March 2012: HK$3,126,000) represents prepayments on inventories to a supplier.

10. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date:

	30.9.2012	31.3.2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**10,350**	21,311
31 – 90 days	**480**	3,181
> 90 days	**13,906**	10,461
	24,736	34,953

11. CONVERTIBLE BONDS

Pursuant to the announcement dated on 23 August 2012, all conditions precedent under the placing agreement and the supplemental placing agreement, which were dated 30 July 2012 and 31 July 2012 respectively, have been fulfilled and convertible bonds with aggregate principal amount of HK$96,000,000 were issued at par with conversion price of HK$0.3 per share to six independent parties on 23 August 2012 (the "**Issue Date**").

The convertible bonds are denominated in Hong Kong dollars and carry interest at 3% per annum. The holders of the convertible bonds are entitled to convert the bonds into 320,000,000 ordinary shares of the Company ("**Conversion Shares**") at initial conversion price of HK$0.3 at any time from the Issue Date to the maturity date falling on the third anniversary from the Issue Date, subject to the anti-dilutive adjustment due to change in capital structure of the Company (including share consolidation, share subdivision and capitalisation issue and other events which have dilutive effects on the issued share capital of the Company as set out in the subscription agreement). The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

During the Period, no convertible bonds were converted into ordinary shares of the Company. The amount is repayable on 24 August 2015 (the "**Maturity Date**"). If the convertible bonds have not been converted up to the Maturity Date, the holders can request the Company to redeem the outstanding convertible bonds at principal amount.

The Company can redeem the convertible bonds in whole or in part, at par together with all interest accrued on it, by giving not less than 30 nor more than 60 days' notice to the bonds holder(s) at any time from the Issue Date to the Maturity Date.

The convertible bonds contain two components, liability and equity elements. At initial recognition, the fair value of liability of approximately HK$64,192,000 was recognised with the residual value of approximately HK$31,808,000, representing equity element, presented in equity heading "convertible bonds reserve". Transaction costs relating to the liability component of approximately HK$1,755,000 are included in the carrying amount of the liability portion. The effective interest rate of the liability component is 17.90% per annum. Deferred tax liability of approximately HK$5,538,000 was recognised to convertible bonds reserve on initial recognition.

During the Period, interest charged on the convertible bonds of approximately HK$1,198,000 was debited to profit or loss.

12. SHARE CAPITAL

	Number of shares	Nominal value HK$'000 (unaudited)
Ordinary shares:		
Authorised		
At 1 April 2011 and 31 March 2012 of HK$0.10 each	400,000,000	40,000
Increase by way of share subdivision *(Note)*	2,800,000,000	–
At 30 September 2012 of HK$0.0125 each	3,200,000,000	40,000
Issued and fully paid		
At 1 April 2011 and 31 March 2012 of HK$0.10 each	200,000,000	20,000
Increase by way of share subdivision *(Note)*	1,400,000,000	–
At 30 September 2012 of HK$0.0125 each	1,600,000,000	20,000

Note: Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting on 9 May 2012 and upon the fulfillment of all of the conditions as set out in the circular dated 23 April 2012, each existing issued and unissued share of HK$0.10 each in share capital of the Company was subdivided into 8 shares of HK$0.0125 each ("**Share Subdivision**"). Immediately upon the Share Subdivision becoming effective on 10 May 2012, the authorised share capital of the Company was HK$40,000,000 comprising 3,200,000,000 subdivided shares, of which 1,600,000,000 subdivided shares were in issue and fully paid.

13. CONTINGENCIES AND COMMITMENTS

On 5 January 2006, Winmost Enterprises Limited (the "**Plaintiff**"), a competitor of the Group, lodged a claim against the Company and CLI Design (HK) Limited (formerly known as Decca (HK) Limited), a subsidiary of the Company, of approximately HK$3,000,000 for defamation by distribution and republication of defamatory words related to the Plaintiff. On 7 February 2012, the Plaintiff filed an amended claim against the Company and CLI Design (HK) Limited for damages for loss of profits related to the defamation of approximately HK$7,900,000. On 29 October 2012, both parties attended a case-management conference before the Registrar of the High Court in chambers, whereby they were directed to file supplemental witness statements with the Court before setting down the case for trial. The Directors, based on legal advice, considered that the aforementioned legal action is too early at this stage to assess the ultimate outcome. Accordingly, no provision is required to be made in the condensed consolidated financial statements.

As at the end of the current interim period, the Group has capital expenditure in respect of acquisition of a property for accommodation purpose for staff or Directors contracted for but not provided in the condensed consolidated financial statements of approximately HK$16,625,000. The total consideration is approximately HK$17,500,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent to the organisational and business restructuring completed in January 2012, Chinlink becomes principally engaged in the provision of interior decoration work, including interior design and renovation services, and the trading of furniture and fixtures in Hong Kong and Macau. The Company is also expanding into the development and operation of trade and logistics centres.

For the Period, the Group's unaudited consolidated revenue increased by 2.7% to HK$81.0 million as compared with HK$78.9 million for the corresponding period of last year; whilst the gross profit decreased by 63.2% to HK$12.4 million as compared with HK$33.7 million for the corresponding period of last year. Loss from continuing operations for the Period was HK$6.8 million, representing a decrease of HK$13.7 million as compared with a profit of HK$6.9 million for the corresponding period of last year. The decrease was mainly due to the sharp drop in the gross profit margin of both interior decoration work and the trading of furniture and fixtures which was partially compensated by the decrease in operating expenses.

During the Period, the Group did not have any discontinued operating activities while a profit from discontinued operations of HK$3.3 million was recorded in the corresponding period of last year.

Loss attributable to the owners of the Company was HK$6.8 million, representing a decrease of HK$17.3 million as compared with a profit of HK$10.5 million for the corresponding period of last year.

BUSINESS REVIEW

Amid the uncertainties of global economy and the decelerating GDP growth in the People's Republic of China (the "**PRC**" or "**China**"), the pace of new retails shop opening in Hong Kong and Macau slowed down and so the spending on interior renovations for hotels and retails shops was diminishing during the Period. Nevertheless, the Group strived to maintain a stable revenue from its core businesses, namely interior decoration work and trading of furniture and fixtures, which accounted for 64.9% and 35.1% for the Period, respectively.

Interior Decoration Work

Revenue for the segment increased by 30.3% to HK$52.5 million, as compared to HK$40.3 million for the corresponding period of last year whilst gross profit margin dropped significantly. The decrease in gross profit margin was mainly due to a larger portion of low margin sourcing furniture service incurred in the segment sales that dragged down the overall gross profit margin.

Trading of Furniture and Fixtures

Revenue from the segment decreased by 26.2% to HK$28.5 million, compared to HK$38.6 million for the corresponding period of last year. During the Period, the Group's sales in Hong Kong and Macau suffered severely from the continuing appreciation of Renminbi ("**RMB**"). The RMB appreciation was not only disadvantageous to the Group's pricing but also led to a margin cut for signed contracts. Consequently, the segment gross profit margin shrunk.

Building and Construction Materials Integrated Trade and Logistics Centre in Hanzhong City, Shaanxi Province, the PRC

On 5 April 2012 and 16 August 2012, the Company entered into a letter of intent and a strategic agreement, respectively, with the local government of Hanzhong City, Shaanxi Province, the PRC and the local government with the Hantai District, Hanzhong City, Shaanxi Province, the PRC (the "**Hantai District Government**"), respectively, to exclusively co-develop a building and construction materials integrated trade and logistics centre in Hanzhong City, Shaanxi Province, the PRC. The expected site area of the centre is 1,200 acres. The Hanzhong Government shall assist in acquiring relevant land use right permits and developing infrastructure, whilst the Group is responsible for the construction, future operation and management of the centre.

The Group believes that this project is a strategic step for Chinlink to expand into China, so as to diversify our revenue source.

FINANCIAL REVIEW

Capital and Debts Structure

As at 30 September 2012, the Group had net assets of HK$55.2 million (31 March 2012: HK$36.3 million) representing a substantial increase of HK$18.9 million as compared to that of 31 March 2012. The increase was mainly attributable to the issuance of convertible bonds during the Period.

The Company entered into a placing agreement and a supplemental placing agreement with the placing agent for subscribing in cash for the convertible bonds of an aggregate principal amount of HK$96.0 million (the "**Convertible Bonds**") which are due 3 years from the issue date convertible into shares at the initial conversion price of HK$0.30 per conversion share (the "**Placing**") on 30 July 2012 and 31 July 2012, respectively. The completion of Placing took place on 23 August 2012 and the Company received the net proceeds after the placing commission and other expenses in connection with the Placing amounted to approximately HK$93.4 million which shall be used for (i) repayment of short term borrowings; (ii) capital investment in new projects to be carried out by the Group in the PRC; (iii) general working capital of the Group; and (iv) the acquisition of a property under the provisional sale and purchase agreement dated 24 September 2012.

As at 30 September 2012, the Company had outstanding Convertible Bonds valued at HK$63.6 million which was classified as non-current liabilities.

As at 30 September 2012, the total borrowings of the Group amounting to HK$1.0 million (31 March 2012: HK$6.1 million) of which approximately HK$0.2 million (31 March 2012: HK$5.2 million) were repayable within one year, representing a decrease of HK$5.1 million. The decrease was mainly due to the repayment of the short term borrowing. The interest rates of the Group's borrowings as at 30 September 2012 are fixed (31 March 2012: fixed).

The gearing ratio (total borrowings divided by net assets) decreased from 0.17 at 31 March 2012 to 0.02 at 30 September 2012. The decrease was mainly due to the repayment of the short term borrowing and the increase in net assets due to the issuance of the Convertible Bonds.

Working Capital

The current ratio increased from 1.48 at 31 March 2012 to 3.02 at 30 September 2012, mainly due to the net proceeds after the placing commission and other expenses in connection with the Placing.

Contingent Liabilities and Charges

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group did not have any significant contingent liabilities.

As at 30 September 2012, the Group pledged its assets with carrying values of HK$1.2 million (31 March 2012: HK$1.3 million) to secure obligations under finance leases.

Capital Commitments

As at 30 September 2012, the Group had capital commitment contracted but not provided for in respect of acquisition of a property of HK$16.6 million (31 March 2012: Nil).

Foreign Currency Exposure

As the Group's revenue and expenses are mainly denominated in Hong Kong dollars and its cash holding as well as the borrowings were also mainly denominated in Hong Kong dollars, foreign currency exposure of the Group is minimal.

Interim Dividend

The Directors do not recommend the payment of an interim dividend to the shareholders of the Company for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

EMPLOYEES

As at 30 September 2012, the Group employed 41 and 5 employees in Hong Kong and China, respectively (31 March 2012: 36 employees in Hong Kong). The employees are remunerated based on their performance and working experience, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees of outstanding performance depending on the financial performance of the Group. Other employee benefits include mandatory provident fund, medical and training programs.

EVENTS AFTER THE REPORTING PERIOD

On 8 October 2012, 普中裝飾工程（西安）有限公司 (Chinlink Decoration Work (Xi'an) Company Limited*) ("**Chinlink (Xi'an)**"), an indirect wholly-owned subsidiary of the Company, entered into a consulting services agreement (the "**Consulting Services Agreement**") with 西安德通科技發展有限公司 (Xi'an Detong Scientific Development Company Limited*) ("**Detong**"), pursuant to which Detong agreed to appoint Chinlink (Xi'an) as its sole business and marketing consultant and Chinlink (Xi'an) agreed to provide Detong with the corresponding consulting services commencing on 1 November 2012 and ending on 31 March 2015 for the consultancy fee of RMB500,000 per month. Detong is operating a distribution centre with approximately 50,000 sq. m. for construction material in Weiyang District in Xi'an City, Shaanxi Province, the PRC. Further details of the Consulting Services Agreement are set out in the announcement of the Company dated 8 October 2012.

On 8 October 2012, Chinlink (Xi'an) entered into the cooperation agreements (the "**Cooperation Agreements**") with each of 西安大明宮建材家居有限公司 (Xi'an Da Ming Gong Construction Material and Furniture Company Limited*) ("**Da Ming Gong**") and 陝西源利國際實業有限公司 (Shaanxi Yuanli International Holdings Limited*) ("**Yuanli**"), pursuant to which Chinlink Xi'an shall make available consultancy services to the tenants of the distribution centres operated by Da Ming Gong and Yuanli in return for consultancy fees income from the individual tenants. Both Da Ming Gong and Yuanli are principally engaged in the operation of distribution centres of construction material (the "**Centres**") in Xi'an City, Shaanxi Province, the PRC. Currently, there are over 8,000 tenants in seven Centres in total. Further details of the Cooperation Agreements are set out in the announcement of the Company dated 8 October 2012.

On 8 October 2012, Chinlink (Xi'an) entered into the cooperation agreement (the "**Jingfa Agreement**") with 西安經發擔保有限公司 (Xi'an Jingfa Guarantee Company Limited*) ("**Jingfa**"), pursuant to which Chinlink (Xi'an) agreed to make referrals to Jingfa and Jingfa will assess and consider providing such referee(s) with financial guarantees at a fee of 1.5% of the guaranteed amount. The total sum of financial guarantee to be made available to referrals of Chinlink (Xi'an) shall not be less than RMB500 million. The Jingfa Agreement will be effective from 8 October 2012 to 31 December 2014. Jingfa is principally engaged in the provision of financial services including financial guarantee, asset management, risk management and investment advisory. Further details of the Jingfa Agreement are set out in the announcement of the Company dated 8 October 2012.

On 20 November 2012, the Company entered into two memorandum of understanding (the "**MOUs**") with the financial affairs office of Hanzhong City, Shaanxi Province, the PRC in respect of establishing two wholly foreign-owned enterprises in Hanzhong City, Shaanxi Province, the PRC in the provisions of financial guarantee and lending and consultancy services, respectively. Details of the MOUs are set out into two announcements of the Company dated 20 November 2012.

PROSPECTS

The Board believes that the operating environment for interior decoration work and trading of furniture and fixtures in Hong Kong and Macau will continue to be tough in the second half of the financial year. There are a number of main challenges ahead: inflating cost pressure on the Group's trading business brought forth by the continuing RMB appreciation, the price ceiling of the interior decoration service during the economic uncertainties, and weak retail sentiment in Hong Kong and Macau caused by the slowing trend of China's GDP growth. These unfavorable factors may affect our business in terms of order book and costing. In view of this, the Group has strengthened its sales force, and deployed further cost-cutting measures and flexible procurement strategies to protect its margins and profitability. As at 30 September 2012, the Group has orders on hand of approximately HK$89.3 million.

Apart from the existing business in Hong Kong and Macau, the Group has been exploring business opportunities in China, the world's second largest economy with the fastest growth, since early this year. Strategically based in Shaanxi Province, the PRC, an important logistic hub connecting the north-western part of China under the nation's economic development policy, the Group has successfully tapped into businesses of wholesale and logistics centres and intends to reposition itself as an integrated finance and logistics services provider in the near future. To differentiate from operators of traditional logistics centre, Chinlink has set up itself as a pioneer in building a new business model in China by providing financial services to the tenants of the logistic centres under a comprehensive warehouse control and logistics information technology system. On the other hand, this new business model also provides tenants of the wholesale and logistics centres with high-quality logistics and processing services to enhance the overall efficiency on the supply chain as well as their working capital management.

Following the strategic agreement signed with Hantai District Government to develop a construction material wholesale and logistics centre in Hanzhong City, Shaanxi Province, the PRC in August 2012, the Group has recently announced three major projects in Xi'an City, Shaanxi Province, the PRC. These projects allow the Group to accumulate experience in the operation and management of wholesales and logistics centres, so as to prepare for the opening of the integrated financial and logistics services centre in Hanzhong City, Shaanxi Province, the PRC in the near future. Details of the three projects are given as follows.

Business and Marketing Consultancy Services to a Construction Material Distribution Centre in Xi'an City, Shaanxi Province, the PRC

According to the Consulting Services Agreement, Chinlink (Xi'an) will provide Detong with consulting services regarding sales and marketing strategy, website management and e-business platform, financial management and human resources management, as well as other advisory to optimize the information flow and operation efficiency of Detong for further business expansion.

Since Mr. Li Weibin ("**Mr. Li**"), the chairman and managing director of the Company, indirectly holds 50% of equity interest in Detong, Detong is a connected person of the Company and hence this transaction has constituted a continuing connected transaction for the Company under the Listing Rules.

Financial Consultancy Services to Tenants of Construction Material Distribution Centres in Xi'an City, Shaanxi Province, the PRC

Pursuant to the Cooperation Agreements, Chinlink (Xi'an) shall provide financing solutions and other operating consultancy services to a total of over 8,000 tenants in seven Centres.

To ensure sufficient financial source available to the above-mentioned 8,000 tenants in seven Centres, Chinlink (Xi'an) also entered into the Jingfa Agreement, pursuant to which Jingfa will consider providing the tenants referred by Chinlink (Xi'an) with financial guarantees at a fee of 1.5% of the guaranteed amount. The total sum of financial guarantee to be made available to the referrals of the Group shall not be less than RMB500 million.

The Group sees the above agreements as an opportunity to accumulate relevant experience in the operation and management of wholesale and logistics centres as well as to establish a large clientele base for the Group's financial services in the future.

Establishment of Financial Services Companies in Hanzhong City, Shaanxi Province, the PRC

According to the MOUs, the Company shall establish a financial guarantee company and a small and medium enterprises credit company in Hanzhong City, Shaanxi Province, the PRC.

The Group believes that the MOUs will open an opportunity for Chinlink to participate in financial services in Hanzhong City, Shaanxi Province, the PRC, so as to assist the Group to become an integrated finance and logistics services provider in the near future.

CORPORATE GOVERNANCE

During the six months ended 30 September 2012, the Company had applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules except the following deviation:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li is the chairman and the managing director of the Company (the Company regards the role of its managing director to be the same as that of chief executive officer under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results for the six months ended 30 September 2012.

The Group's independent auditors, Deloitte Touche Tohmatsu, have been engaged to review the condensed consolidated financial statements. On the basis of their review, nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited and the Company (http://www.chinlinkint.com).

The interim report of the Company will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

APPRECIATION

The Board would like to extend its gratitude to all the Group's customers and bankers for their trust and support and would like to thank all of the staff of the Group for their tireless efforts and contribution to the Group.

By Order of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

Hong Kong, 26 November 2012

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Weibin, Mr. Siu Wai Yip and Ms. Lam Suk Ling, Shirley; a non-executive Director, namely Ms. Fung Sau Mui; and three independent non-executive Directors, namely Mr. Lau Chi Kit, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.