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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

RESULTS

The board of directors (the "**Board**") of Chinlink International Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2013 (the "**Year**"), together with the comparative figures for the year ended 31 March 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Continuing operations			
Revenue	*3*	**161,365**	173,158
Cost of sales and services		**(135,313)**	(119,015)
Gross profit		**26,052**	54,143
Other income, gains and losses	*5*	**(1,250)**	4,958
Selling and distribution costs		**(801)**	(2,678)
Administrative expenses		**(36,313)**	(45,605)
Consultancy fees		**(2,641)**	–
Share of result of an associate		**–**	(439)
Finance costs	*6*	**(7,737)**	(355)
(Loss) profit before taxation	*7*	**(22,690)**	10,024
Income tax credit (charge)	*8*	**244**	(1,939)
(Loss) profit for the year from continuing operations		**(22,446)**	8,085
Discontinued operations			
Profit for the year from discontinued operations		**–**	9,747
(Loss) profit for the year		**(22,446)**	17,832

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the year ended 31 March 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Other comprehensive income			
Exchange difference arising on translation of foreign operations and to presentation currency		**604**	10,358
Share of translation reserve of an associate		**–**	70
Other comprehensive income for the year		**604**	10,428
Total comprehensive (expense) income for the year		**(21,842)**	28,260
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(22,446)**	8,085
– from discontinued operations		**–**	10,107
(Loss) profit for the year attributable to owners of the Company		**(22,446)**	18,192
Loss for the year attributable to non-controlling interests			
– from discontinued operations		**–**	(360)
		(22,446)	17,832
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(21,842)**	28,620
Non-controlling interests		**–**	(360)
		(21,842)	28,260
(Loss) earnings per share – basic			
			(restated)
From continuing and discontinued operations	*10*	**HK(1.40) cents**	HK1.14 cents
From continuing operations	*10*	**HK(1.40) cents**	HK0.51 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**20,436**	1,727
Rental deposits		**–**	806
		20,436	2,533
Current assets			
Inventories		**6,685**	7,788
Deposit paid for prepaid lease payments for land		**31,224**	–
Accrued revenue		**10,655**	14,465
Trade receivables	*11*	**12,872**	22,592
Other receivables, deposits and prepayments		**2,062**	3,316
Amounts due from former subsidiaries		**27,048**	27,017
Investments held for trading		**18,575**	–
Tax recoverable		**–**	291
Bank balances and cash		**55,696**	31,339
		164,817	106,808
Current liabilities			
Deferred revenue		**12,132**	2,079
Trade payables	*12*	**23,784**	34,953
Receipts in advance		**4,830**	8,470
Other payables and accruals		**8,461**	7,270
Amount due to ultimate holding company		**–**	3,109
Amounts due to former subsidiaries		**9,536**	9,580
Provision for warranty		**2,050**	985
Tax payable		**870**	454
Bank and other borrowings		**8,622**	5,000
Obligations under finance leases		**237**	217
		70,522	72,117
Net current assets		**94,295**	34,691
Total assets less current liabilities		**114,731**	37,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Obligations under finance leases	**680**	917
Convertible bonds	**69,530**	–
Deferred tax liability	**4,655**	–
	74,865	917
	39,866	36,307
Capital and reserves		
Share capital	**20,000**	20,000
Reserves	**19,866**	16,307
Equity attributable to owners of the Company	**39,866**	36,307

Notes:

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

[1] Effective for accounting periods beginning on or after 1 January 2013.
[2] Effective for accounting periods beginning on or after 1 January 2014.
[3] Effective for accounting periods beginning on or after 1 January 2015.
[4] Effective for accounting periods beginning on or after 1 July 2012.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year beginning 1 April 2015. Based on the Group's financial assets and liabilities as at 31 March 2013, the application of this new standard is not expected to affect classification and measurement of the Group's assets and liabilities.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted. HKFRS 13 will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 April 2013 and the application of this new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the consolidated statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'consolidated statement of comprehensive income' is renamed as a 'consolidated statement of profit or loss and other comprehensive income' and a 'consolidated income statement' is renamed as a 'consolidated statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for accounting periods beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

3. REVENUE

Revenue, which is also the turnover of the Group, represents the sales value of goods supplied to customers and service revenue from interior decoration work, and is analysed from continuing operations as follows:

	2013	2012
	HK$'000	*HK$'000*
Service revenue from interior decoration work	**110,504**	121,107
Sales of furniture and fixtures	**50,861**	52,051
	161,365	173,158

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

Specifically, the Group's operating segments under HKFRS 8 are interior decoration work and trading of furniture and fixtures. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

4. **SEGMENT INFORMATION** *(continued)*

Upon completion of distribution in species 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 People's Republic of China (the "**PRC**") and other countries in Asia (except Hong Kong and Macau). The segment information reported below does not include any amounts for these discontinued operations.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations in Hong Kong and Macau by reportable and operating segments:

Continuing operations

	Year ended 31 March 2013		Year ended 31 March 2012	
	Segment revenue ***HK$'000***	**Segment profit for the year** ***HK$'000***	Segment revenue *HK$'000*	Segment profit for the year *HK$'000*
Interior decoration work	**110,504**	**2,664**	121,107	18,807
Trading of furniture and fixtures	**50,861**	**3,709**	52,051	8,863
Total	**161,365**	**6,373**	173,158	27,670
Unallocated other income, gains and losses		**903**		4,738
Unallocated corporate expenses		**(22,229)**		(21,590)
Share of result of an associate		**–**		(439)
Finance costs		**(7,737)**		(355)
(Loss) profit before taxation from continuing operations		**(22,690)**		10,024

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses (except for loss on disposal of property, plant and equipment, allowance for/reversal of allowance for bad and doubtful debts, net, bad debts directly written back and reversal of impairment loss recognised on accrued revenue), general administration costs, directors' emoluments, share of result of an associate, finance costs and taxation. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measure of segment profit or loss:

Continuing operations

	Year ended 31 March 2013			Year ended 31 March 2012		
	Trading of furniture and fixtures	**Interior decoration work**	**Total**	Trading of furniture and fixtures	Interior decoration work	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	**8**	**36**	**44**	45	98	143
Allowance for (reversal of) bad and doubtful debts, net	**47**	**2,106**	**2,153**	(80)	8	(72)
Bad debts directly written back	**–**	**–**	**–**	–	(30)	(30)
Loss on disposals of property, plant and equipment	**–**	**–**	**–**	1	–	1
Reversal of impairment loss recognised on accrued revenue	**–**	**–**	**–**	–	(119)	(119)

Geographical information

The Group's continuing operations are located in Hong Kong and Macau. All the Group's revenue from continuing operations from external customers are located in Hong Kong and Macau based on locations of customers.

The Group's non-current assets by geographical location of the assets are detailed below:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong and Macau	**19,659**	2,533
The PRC	**777**	–
	20,436	2,533

4. SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from customers from continuing operations of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**53,620**	21,715

[1] *Revenue from interior decoration work*

5. OTHER INCOME, GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Change in fair value of investments held for trading	**215**	–
Loss on disposal of property, plant and equipment	**–**	(1)
Net foreign exchange loss	**(11)**	(688)
Reversal of impairment on amount due from an associate	**–**	5,231
(Allowance for) reversal of bad and doubtful debts, net	**(2,153)**	72
Bad debts directly written back	**–**	30
Reversal of impairment loss recognised on accrued revenue	**–**	119
Consultancy service income	**624**	–
Sundry income	**75**	195
	(1,250)	4,958

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years:		
Bank and other borrowings	**563**	355
Effective interest expense on convertible bonds	**7,093**	–
Obligations under finance leases	**81**	–
	7,737	355

7. (LOSS) PROFIT BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	**780**	1,356
Depreciation of property, plant and equipment	**607**	143
Provision for warranty (included in cost of sales and services)	**1,577**	655
Staff costs (including directors' emoluments)		
Wages, salaries and other benefits	**23,065**	34,478
Retirement benefits scheme contributions	**593**	1,394
	23,658	35,872
Cost of inventories recognised as expenses	**41,201**	23,480
Operating lease rentals paid in respect of rented properties	**5,624**	2,375
Operating lease rentals paid in respect of office equipment	**36**	8

8. INCOME TAX (CREDIT) CHARGE

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**416**	1,363
Other jurisdictions	**231**	574
	647	1,937
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	**(8)**	2
	639	1,939
Deferred tax-current year	**(883)**	–
	(244)	1,939

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The taxation for the year can be reconciled to the (loss) profit before taxation from continuing operation per the consolidated statement of comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit before taxation from continuing operations	**(22,690)**	10,024
Taxation at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**(3,744)**	1,654
Tax effect of expenses not deductible for tax purposes	**3,980**	1,889
Tax effect of income not taxable for tax purposes	**–**	(863)
(Overprovision) underprovision in respect of prior years	**(8)**	2
Tax effect of tax losses not recognised	**–**	465
Utilisation of tax losses previously not recognised	**(339)**	(1,440)
Tax effect of share of result of an associate	**–**	72
Others	**(133)**	160
Taxation (credit) charge	**(244)**	1,939

9. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Special dividend by way of distribution in species of shares in a subsidiary	**–**	346,361

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 12 January 2012, the Company distributed the ordinary shares in the capital of Chosen Investments Limited in species to the shareholders.

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2013 (2012: nil).

10. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

(Loss) earnings

	2013	2012
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(22,446)**	18,192

Number of shares

	'000	*'000*
		(restated)
Number of ordinary shares in issue for the purpose of basic and diluted (loss) earnings per share	**1,600,000**	1,600,000

The number of ordinary shares in issue for the purpose of basic and diluted earnings per share for the year ended 31 March 2012 has been adjusted retrospectively to reflect the impact of share subdivision.

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

From continuing operations

The calculation of the basic (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:

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(22,446)**	18,192
Less: Profit for the year from discontinued operations attributable to owners of the Company	**–**	10,107
(Loss) earnings for the purpose of basic earnings per share from continuing operations	**(22,446)**	8,085

The denominator used is the same as above for basic earnings per share.

From discontinued operations

For the year ended 31 March 2012, basic earning per share for the discontinued operation was HK0.63 cents (restated), based on the earnings for the year from discontinued operation attributable to the owner of the Company of HK$10,107,000 and the denominator used is the same as above for basic earnings per share.

During the year ended 31 March 2013, 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 year ended 31 March 2012 as there were no potential ordinary shares outstanding during that year.

11. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**15,361**	22,928
Less: Allowances for bad and doubtful debts	**(2,489)**	(336)
	12,872	22,592

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**1,779**	18,691
31 – 90 days	**1,339**	646
> 90 days	**9,754**	3,255
	12,872	22,592

The Group's credit terms for its contracting 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.

12. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**10,304**	21,311
31 – 90 days	**1,386**	3,181
> 90 days	**12,094**	10,461
	23,784	34,953

The credit periods on purchases of goods are usually from 1 month to 3 months.

13. CONTINGENT LIABILITIES

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 and 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 15 April 2013, after 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 Company and CLI Design (HK) Limited received a notice of trial ("**Notice**") and pre-trial review from the Court. According to the Notice issued by the Court, the hearing of the pre-trial review will take place on 17 September 2013 and the substantive trial is scheduled to take place from 10 to 13 December 2013. Based on the advice from the independent legal advisors, the outcome is unable to be determined at this stage. Accordingly, the directors are of the opinion that no provision is required to be made in the consolidated financial statements.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 April 2013, the Company granted share options (the "**Share Options**") to the directors, certain employees of the Group and consultants (collectively, the "**Grantees**") pursuant to the Company's share option scheme (the "**Scheme**") adopted on 21 September 2012, subject to acceptance by the Grantees. The Share Options entitle the Grantees to subscribe for a total of 93,100,000 new shares at an exercise price of HK$0.58 per share with nominal value of HK$0.0125 each in the capital of the Company upon the exercise of the Share Options in full. Share Options granted are exercisable from 24 April 2014 to 23 April 2023. These 93,100,000 Share Options are vested in five tranches with (i) 20% shall become exercisable from 24 April 2014 to 23 April 2023; (ii) 20% shall become exercisable from 24 April 2015 to 23 April 2023; (iii) 20% shall become exercisable from 24 April 2016 to 23 April 2023; (iv) 20% shall become exercisable from 24 April 2017 to 23 April 2023; and (v) 20% shall become exercisable from 24 April 2018 to 23 April 2023. As at the date of this announcement, the directors are in the process of estimating the fair value of the Share Options granted. Details of which are set out in the announcement made by the Company dated 24 April 2013.

On 14 May 2013, Chinlink Hong Kong Company Limited ("**Chinlink (HK)**"), a direct wholly-owned subsidiary of the Company and Hong Kong Logistics Technology & Systems Limited ("**LTS**") entered into an agreement ("**Agreement**") for the development of a logistics information systems platform for the Group and to provide services to the Group in respect of the logistics information system platform. The contract sum of the Agreement is HK$13,217,000 which shall be satisfied by Chinlink (HK) by procuring the Company by allotting and issuing, credited as fully paid, an aggregate of 26,701,010 new ordinary shares of the Company to LTS in three tranches at the issue price of HK$0.495 per share. On 24 May 2013, the Company has allotted and issued first tranche of the Company's new ordinary shares totalled 8,010,303 to LTS. As at the date of this announcement, the directors are in the process of estimating the fair value of the shares issued. Details of which are set out in the announcement made by the Company dated 14 May 2013.

On 10 June 2013 and 17 June 2013, the Company entered into a placing and underwriting agreement as well as a supplemental agreement, respectively, with a placing agent in relation to placement of bonds with principal amount of HK$190,450,000. For no additional payment, warrants with the same amount as the principal amount of bonds will be issued to the first register holders of the bonds. On the same day, the Company entered into a best effort placing agreement with the abovementioned placing agent in relation to the placement of convertible bonds with maximum aggregate principal amount of HK$300,000,000. Completion of the above placing activities is subject to the conditions set out in the corresponding agreements. As of the date of this announcement, both placing agreements have not yet completed. Details of which are set out in the announcements made by the Company dated 10 June 2013 and 17 June 2013.

On 17 June 2013 and 25 June 2013, aggregate principal amount of HK$30,000,000 and HK$35,400,000 of the convertible bonds issued on 23 August 2012 (referred to as "**2012 CBs 1**" and "**2012 CBs 2**", respectively) was converted to 100,000,000 shares and 118,000,000 shares of the Company at the conversion price of HK$0.3 per conversion share, respectively. These shares rank pari passu in all aspects with other shares in issue. Upon conversion, the carrying amounts of 2012 CBs 1 and 2012 CBs 2 amounting to approximately HK$22,569,000 and HK$26,736,000 are derecognised. Share capital and share premium are increased by approximately HK$1,250,000 and HK$21,319,000 related to 2012 CBs 1 and HK$1,475,000 and HK$25,261,000 related to 2012 CBs 2, respectively. The relevant equity component of approximately HK$7,938,000 and HK$9,367,000 is reclassified to share premium, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the Year, economy growth of the People's Republic of China ("**China**") slowed in tandem with the sluggish global economy. The gross domestic product ("**GDP**") of China decelerated for seven consecutive quarters until September 2012, causing Chinese consumers to be more cautious in their spending. The ripple effect has inevitably affected the retail and luxury markets in Hong Kong and Macau, discouraging tourist spending and slowing down the expansion of retail shops and hotels in the region. This led to the decrease in the income from the Group's interior decoration business, as well as furniture and fixtures trading for high-end retail shops, hotels and residential apartments in Hong Kong and Macau. Moreover, the surge in Renminbi ("**RMB**") appreciation and the rising costs of raw materials and labour also curbed the Group's gross profit margin of the two businesses. During the Year, the Group started its diversification to the logistics consulting services in Xi'an City, Shaanxi Province. The new business was in an early development stage and hence the contribution to the Group was minor during the Year. With the new financing guarantee business and other logistics consulting service to commence in the second half of 2013, the Group expects a greater contribution from the new integrated finance and logistics business in the next financial year.

Revenue for the Year decreased by 6.8% to HK$161.4 million (2012: HK$173.2 million); whereas the interior decoration business and furniture and fixtures trading accounted for 68.5% and 31.5% respectively (2012: 69.9% and 30.1% respectively). Gross profit decreased by 51.8% to HK$26.1 million (2012: HK$54.1 million) and gross profit margin dropped from 31.3% to 16.1%. During the Year, there was a significant increase in finance costs and consultancy fees to support the Group's new business development. These resulted in a loss attributable to owners of the Company of HK$22.4 million for the Year.

Interior Decoration Work

For the year ended 31 March 2013, the Group completed a total of 69 projects as compared with 90 projects in the last year. Revenue for the segment decreased by 8.8% to HK$110.5 million whilst the segment's gross profit margin decreased to 14.9% of the Year from 22.6% of the last year. This was mainly due to a large portion of low margin sourcing furniture service incurred in the segment sales.

Trading of Furniture and Fixtures

Revenue from the segment decreased by 2.3% to HK$50.9 million during the Year and gross profit margin declined from 51.5% of the last year to 18.8% of the Year. The significant decrease in gross profit margin was mainly attributable to the continuous appreciation of RMB that lifted the raw material costs and subcontracting costs.

Integrated Finance and Logistics Service

During the Year, the Group has made great efforts to lay a strong foundation for its new integrated finance and logistics business in China through: (1) cooperating with three major building materials distribution centres in Xi'an City to secure a solid client base of over 8,000 tenants, mostly small-medium size enterprises (the "**SMEs**") and the Group's logistics management and consulting services, e-commerce platform, financing solutions will be progressively available to the tenants; (2) developing the logistics park in Hanzhong City, Shaanxi Province (the "**Park**"), with features such as product marketplace, warehouses, other logistics supporting facilities. The Park will also be supported by a well-established IT platform, an advanced warehouse and transportation management system and other value-added services. During the Year, the Group has paid totally RMB25.0 million to the local government of Hantai District, Hanzhong City as refundable deposit to expedite the expropriation and auction of land for the first phase of the Park; (3) signing a memorandum of understanding with the financial affairs office of Hanzhong City to establish a wholly-foreign-owned enterprise (the "**WFOE**") to engage in financing guarantee services to SMEs in Hanzhong City as the Group intended to address the shortage of financing channels for SMEs in the market by offering SMEs with loan guarantees against the pledge of their inventories, thus facilitating SMEs to obtain bank loans. The initial target market of this "inventory-as-collateral" financing guarantee services will be the 8,000 tenants of the three building materials distribution centres in Xi'an City.

Financial Review

Capital and Debts Structure

On 19 April 2012, the Board proposed each of the issued and unissued shares of HK$0.10 each in the share capital of the Company be subdivided into 8 subdivided shares of HK$0.0125 each (the "**Share Subdivision**"). The Share Subdivision was approved by the shareholders of the Company at the special general meeting held on 9 May 2012. Accordingly, the authorised share capital of the Company comprising HK$40,000,000 divided into 400,000,000 ordinary shares of HK$0.10 each, of which 200,000,000 ordinary shares were in issue and fully paid, were subdivided into 3,200,000,000 ordinary shares of HK$0.0125 each, of which 1,600,000,000 ordinary shares of HK$0.0125 were in issue and fully paid. Details of which are set out in the Company's announcements dated 19 April 2012 and 9 May 2012, respectively, and the Company's circular dated 23 April 2012.

Subsequent to the Share Subdivision becoming effective on 10 May 2012, the board lot size for trading in the shares of the Company has also been changed from 2,000 shares per board lots to 10,000 shares per board lots.

Save as disclosed above, there was no change in the share capital structure of the Company during the Year.

As at 31 March 2013, the Group had net assets of HK$39.9 million (2012: HK$36.3 million) representing an increase of HK$3.6 million as compared to 2012. The increase was mainly attributable to the placing of convertible bonds (the "**Convertible Bonds**") amounted to HK$96.0 million but partly net off by the loss of the Group incurred during the Year.

The Company entered into a placing agreement and a supplemental placing agreement with the placing agent with respect for subscribing in cash for the Convertible Bonds which are due 3 years from the date of issue of the Convertible Bonds 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 the Placing took place on 23 August 2012 and the Company received the net proceeds after expenses in connection with the Placing amounted to approximately HK$93.4 million.

As at 31 March 2013, the Company had outstanding Convertible Bonds valued at HK$69.5 million (2012: Nil) which was classified as non-current liabilities.

As at 31 March 2013, the total borrowing of the Group (excluding the Convertible Bonds) amounted to HK$9.5 million (2012: HK$6.1 million) of which approximately HK$8.9 million (2012: HK$5.2 million) was repayable within one year, representing an increase of HK$3.4 million. The increase was mainly due to the new bank borrowing utilized for the property being acquired during the Year. 90.5% of the Group's borrowings as at 31 March 2013 are at floating interest rate (2012: Nil).

The gearing ratio (total borrowings divided by net assets) increased from 0.17 at 31 March 2012 to 0.24 at 31 March 2013. The increase was mainly due to the increase in bank borrowing for the property acquired during the Year.

Working Capital

The current ratio increased from 1.48 at 31 March 2012 to 2.34 at 31 March 2013 which was mainly due to the deposit paid for prepaid lease payments for land and the short-term investment on unlisted bonds amounted to HK$31.2 million and HK$18.6 million, respectively.

Contingent Liabilities and Charges

Save as disclosed in note 13 on page 17 of this announcement, the Group did not have any significant contingent liabilities.

As at 31 March 2013, the Group pledged its assets with carrying values of HK$1.0 million and HK$18.1 million to secure obligations under finance leases and banking facilities, respectively.

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

Foreign Currency Exposure

The Group's revenue and expenses are mainly denominated in Hong Kong dollars. The monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollars and RMB. During the Year, the exchange rate of RMB to Hong Kong Dollars increased steadily. Accordingly, the Directors consider that the potential foreign currency risk of the Group is relatively limited.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2013 (2012: Nil).

Employees

As at 31 March 2013, the Group employed 40 and 5 employees in Hong Kong and China, respectively (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

Details of the significant events after 31 March 2013 are set out in note 14 on page 18 of this announcement.

Prospects

Looking ahead, as macroeconomic uncertainties continue to prevail in 2013, the Group believes that the operating environment for interior decoration work and trading of furniture and fixtures in Hong Kong and Macau will remain tough in the next financial year. Hence the management believes that the new finance and logistics service segment in Shaanxi Province will become the Group's key growth driver in the coming years.

In China's Twelfth Five-Year Plan, "Go West" is a priority among all regional-specific development plans. It is expected that the government support for western development will be further strengthened with favourable policies and the sources of economic growth will tilt increasingly towards the western regions. As the gateway to the western China, Shaanxi Province has been enjoying high economic growth. From 2007 to 2011, Shaanxi GDP growth stayed at 14.4% on average, higher than the national GDP growth, and the output of Shaanxi wholesale and retail trades sector grew at compound annual growth rate 27.4% from 2007 to 2011 reaching RMB1,036 million in 2011. This fast development will definitely drive the demand for better logistics and financing solutions. Therefore, the Group strategically picked Shaanxi Province as a base camp to establish its pioneering finance and logistics services under the concept of modern logistics is well-justified.

In May 2013, the Group has made further progress on the finance and logistics services business in that Hong Kong Logistics Technology Systems Limited ("**LTS**") became the strategic shareholder of the Group. LTS will develop a logistics IT system platform (the "**Logistics IT Platform**") for the distribution centres and logistics parks operated by the Group in the cities of Xi'an and Hanzhong. The Logistics IT Platform will help centralize the data of transactions, warehousing, transportation, distribution, and other logistics information of the tenants for efficient and modern management of distribution centres and logistics parks, thus allowing the Group to offer tailor-made and value-added services to the tenants. This platform will also serve as a risk management tool for its financing guarantee business to keep track on the tenants' business activities and inventory collaterals to minimize credit risks. Further, in June 2013, the Group was granted an official approval from financial affairs office of Shaanxi Province to establish a WFOE with registered capital and total investment of US$30 million and US$90 million respectively, to engage in financing guarantee services in Shaanxi Province. The WFOE will soon be established when all necessary application procedures are completed.

Having the Logistics IT Platform and the WFOE with official financing guarantee enterprise operation license ready in the second half of 2013, the Group will soon begin the integrated finance and logistics services for the 8,000 tenants of the building materials distribution centres in Xi'an City. For the Park in Hangzhong City, the acquisition of the land for the first phase of the Park is expected to be completed in the second half of 2013. It is expected that stable and recurring cash flow from rental and logistics services from tenants and income from property sales will be used to fuel the Group's continuous development of the Park. The Group is now well-prepared to pursue the vision of being an integrated finance and logistics services provider in China. Management will rigorously assess the challenges and opportunities that may arise in the new business venture, and continue to refine the new business model in order to build a sustainable business and long term value for the shareholders of the Company.

CORPORATE GOVERNANCE

During the year ended 31 March, 2013, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of Chairman and Managing Director of the Company (the Company regards the role of its managing director to be same as that of chief executive under the CG Code), have been performed by Mr. Li Weibin. 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.

Code provision A.6.7 of the CG Code stipulates that all independent non-executive Directors and non-executive Directors should attend general meetings of listed issuers. Ms. Chan Sim Ling, Irene, an independent non-executive Director, was unable to attend the special general meeting of the Company held on 9 May 2012 due to her personal commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "**Model Code**"). Having made specific enquiry of the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 March 2013.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive Directors namely, Ms. Lai Ka Fung, May (Chairman), Mr. Lau Chi Kit and Ms. Chan Sim Ling, Irene. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2013 and discussed the internal control and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

APPRECIATION

The Board would like to express its sincere appreciation to all the Group's investors, customers, partners and shareholders for their continuing support and would like to thank the staff of the Group for their invaluable contribution to the Group.

PUBLICATION OF ANNUAL REPORT

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

The 2012/2013 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

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

Hong Kong, 25 June 2013

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.