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 2013

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 2013 (the "**Period**"), together with the comparative figures as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**39,208**	80,976
Cost of sales and services		**(27,255)**	(68,599)
Gross profit		**11,953**	12,377
Other income, gains and losses		**(244)**	11
Selling and distribution costs		**(408)**	–
Administrative expenses			
– share-based payment expenses		**(6,611)**	–
– other administrative expenses		**(18,661)**	(17,418)
		(25,272)	(17,418)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Consultancy fee		**(764)**	–
Finance costs	*4*	**(17,761)**	(1,766)
Loss before taxation	*5*	**(32,496)**	(6,796)
Income tax credit	*6*	**630**	32
Loss for the period		**(31,866)**	(6,764)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,817**	229
Other comprehensive income for the period		**1,817**	229
Total comprehensive expense for the period		**(30,049)**	(6,535)
Loss per share			
Basic and diluted	*7*	**(HK1.79 cents)**	(HK0.42 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	30.9.2013 HK$'000 (unaudited)	31.3.2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**20,152**	20,436
Intangible assets	*9*	**3,965**	–
		24,117	20,436
Current assets			
Inventories		**6,377**	6,685
Deposit paid for prepaid lease payments for land		**31,676**	31,224
Accrued revenue		**7,758**	10,655
Trade receivables	*10*	**14,957**	12,872
Loan receivables	*10*	**76,178**	–
Other receivables, deposits and prepayments		**7,607**	2,062
Amounts due from former subsidiaries		**27,048**	27,048
Trade receivable from a related company	*10*	**4,435**	–
Investments held for trading		**–**	18,575
Pledged bank deposits	*11*	**198,017**	–
Bank balances and cash		**260,542**	55,696
		634,595	164,817
Current liabilities			
Deferred revenue		**30,379**	12,132
Trade payables	*12*	**21,168**	23,784
Receipts in advance		**5,909**	4,830
Other payables and accruals		**10,515**	8,461
Amounts due to former subsidiaries		**9,536**	9,536
Provision for warranty		**1,261**	2,050
Tax payable		**1,511**	870
Bank and other borrowings		**8,237**	8,622
6.5% coupon bonds	*13*	**170,896**	–
Obligations under finance leases		**247**	237
		259,659	70,522
Net current assets		**374,936**	94,295
Total assets less current liabilities		**399,053**	114,731

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2013

	Notes	**30.9.2013** **HK$'000** **(unaudited)**	31.3.2013 HK$'000 (audited)
Non-current liabilities			
Obligations under finance leases		**554**	680
7.5% convertible bonds	*13*	**230,723**	–
3.0% convertible bonds	*13*	**–**	69,530
Deferred tax liability		**11,956**	4,655
		243,233	74,865
		155,820	39,866
Capital and reserves			
Share capital	*14*	**24,100**	20,000
Reserves		**131,720**	19,866
Equity attributable to owners of the Company		**155,820**	39,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

Coupon bonds with detachable warrants

Coupon bonds with detachable warrants issued by the Company contain both a liability and an equity component, represented by the plain coupon bonds and the detachable warrants respectively, and they 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. The warrants are detachable from the bonds and the warrants and the bonds can be transferred individually and separately. Warrants 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 coupon bonds with no warrant features. The value of early redemption option derivatives embedded in the coupon bonds which is closely related to the coupon bonds is included in the liability component. The difference between the gross proceeds of the issue of the coupon bonds with detachable warrants and the fair value assigned to the liability component, representing the warrants to subscribe for shares of the Company, is included in equity (convertible bonds and warrants reserve).

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Coupon bonds with detachable warrants *(continued)*

In subsequent periods, the liability component of the coupon bonds with detachable warrants is carried at amortised cost using the effective interest method. The equity component, representing the warrants to subscribe for shares of the Company, is not subsequently re-measured and will remain in convertible bonds and warrants reserve until the warrant is exercised (in which case the balance stated in convertible bonds and warrants reserve will be transferred to share premium). Where the warrant remains unexercised at the expiry date, the balance stated in convertible bonds and warrants reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon the exercise or expiration of the warrant.

Transaction costs that relate to the issue of the coupon bonds with detachable warrants 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 coupon bonds using the effective interest method.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives (other than those not yet available for use) is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets that are not yet available for use are carried at cost less any recognised impairment loss.

Equity-settled share-based payment transactions

Share options granted to employees

For share options granted to the Directors and employees of the Group, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to employees *(continued)*

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services.

Shares granted to a supplier

Shares issued in exchange for goods are measured at the fair values of the goods received, unless that fair value cannot be reliably measured, in which case goods received are measured by reference to the fair value of the shares granted. The fair values of goods received are recognised as expenses, with a corresponding increase in equity (share capital and share premium), when the Group obtains the goods, unless the goods qualify for recognition as assets.

Revenue recognition

Income from rendering financing guarantee services as well as consultancy services related to the provision of financing guarantee services is recognised over the contract period on a straight-line basis.

In addition, in the Period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the Period.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the Period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 13 Fair value measurement *(continued)*

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of HKFRS 13 has had no material impact on the measurement and disclosure of the Group's financial assets and liabilities.

Except as described above, the application of the new and revised HKFRSs in the Period has had no material effect on the amounts reported 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
– Financing guarantee services
– Logistics services

During the Period, the Group established a new business which is principally engaged in provision of financing guarantee services to parties seeking for bank borrowings. During the second half of prior annual period, the Group established another new business engaged in provision of logistics consultancy services to a related company, whose revenue and results were unallocated due to insignificance. Starting from the Period, the executive directors of the Company, being the chief operating decision maker ("**CODM**") reviews the financial performance of these two new businesses separately from that of the other operating segments. Accordingly, results from financing guarantee services and logistics services are presented as separate operating and reportable segments.

3. **SEGMENT INFORMATION** *(continued)*

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

	Six months ended 30.9.2013		Six months ended 30.9.2012	
	Segment revenue	**Segment profit (loss) for the Period**	Segment revenue	Segment profit for the period
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Interior decoration work	**27,151**	**(738)**	52,533	2,368
Trading of furniture and fixtures	**6,975**	**(558)**	28,443	1,974
Financing guarantee services	**1,537**	**375**	–	–
Logistics services	**3,545**	**2,035**	–	–
Total	**39,208**	**1,114**	80,976	4,342
Unallocated other income, gains and losses		**(291)**		11
Finance costs		**(17,761)**		(1,766)
Share options expenses		**(5,612)**		–
Unallocated corporate expenses		**(9,946)**		(9,383)
Loss before taxation		**(32,496)**		(6,796)

Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central administration costs, share-based payment expenses in relation to central administrative staff, directors' salaries, finance costs and other income, gains and losses except for reversal of bad and doubtful debts. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**1,425**	525
Obligations under finance leases	**33**	43
Effective interest expense on 3.0% convertible bonds	**2,878**	1,198
Effective interest expense on 7.5% convertible bonds	**4,240**	–
Effective interest expense on 6.5% coupon bonds	**9,185**	–
	17,761	1,766

5. LOSS BEFORE TAXATION

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

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**544**	221
(Reversal of) allowance for bad and doubtful debts, net	**(47)**	102
Interest income	**(545)**	(6)

6. INCOME TAX CREDIT

	Six months ended 30.9.2013 HK$'000 (unaudited)	Six months ended 30.9.2012 HK$'000 (unaudited)
Current tax charged:		
Hong Kong	–	–
Other jurisdictions	(772)	(115)
	(772)	(115)
Deferred tax – credited in current period	1,402	147
Income tax credit	630	32

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

During the Period, no provision for Hong Kong Profits Tax has been made (six months ended 30 September 2012: nil) since the Company and its subsidiaries operating in Hong Kong have no assessable profit generated or suffered from tax loss in Hong Kong.

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

7. LOSS PER SHARE

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

Loss

	Six months ended 30.9.2013 HK$'000 (unaudited)	Six months ended 30.9.2012 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(31,866)	(6,764)

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

Number of shares

	Six months ended	
	30.9.2013	30.9.2012
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,779,340**	1,600,000

During the Period, the computation of diluted loss per share does not assume the conversion of the outstanding 3.0% and 7.5% convertible bonds, the exercise of share options and warrants or the issue of the contingently issuable shares to Hong Kong Logistics Technology & System Limited ("**LTS**") (see note 17) as they would result in a decrease in loss 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 3.0% convertible bonds as it would result in a decrease in loss per share.

8. **DIVIDENDS**

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

9. **INTANGIBLE ASSETS**

During the Period, there is an addition to intangible assets of approximately HK$3,965,000 (six months ended 30 September 2012: nil) which was settled by allotting ordinary shares of the Company to a supplier. The intangible assets relate to an integrated logistics management information system ("**Chinlink LMIS**") which consists of several logistics management systems. Details of the arrangement are set out in note 17. As of 30 September 2013, the development of Chinlink LMIS remained incomplete.

10. TRADE RECEIVABLES AND LOAN RECEIVABLES

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, apart from the trade receivables from a related company, presented based on the invoice date (net of allowance for bad and doubtful debts):

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**5,265**	1,779
31 – 90 days	**2,389**	1,339
> 90 days	**7,303**	9,754
	14,957	12,872

Apart from the balance disclosed above, the balance of approximately HK$4,435,000 (31 March 2013: nil) classified as trade receivable from a related company is trade in nature, unsecured and non-interest bearing. The amount is aged within 210 days as at 30 September 2013, with credit terms of 30 days granted to the related company. Due to business tax reformation in Xi'an City of the People's Republic of China (the "**PRC**" or "**China**"), the balance remains outstanding for a period longer than the normal credit term granted. Based on the Directors' best estimate, the balance will be settled in the coming six months.

Loan receivables

Loan receivables of HK$76,178,000 (31 March 2013: nil) represent the outstanding balances receivable and accrued interest from independent third parties which are unsecured and carry interest at Hong Kong Prime Interest Rate plus 3.0% or a fixed rate of 12.0% per annum. The effective interest rate of the loan receivables is 8.3% per annum. All amounts are repayable within six months from loan advance date. In order to minimise the credit risks of these loan receivables, only referral customers and short term borrowing requests are accepted. Besides, the Directors assess the financial position of each referral customer and conduct background searches before the loan is approved as well as performing subsequent loan review regularly.

11. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits placed to certain banks as securities in return for the banks to provide loans to the Group's financial guarantee services customers. These pledged bank deposits have a maturity of less than one year as at 30 September 2013 (31 March 2013: nil).

As at 30 September 2013, all pledged deposits are denominated in United States dollars (31 March 2013: nil) and carry interest rates at 0.5% per annum (31 March 2013: nil).

12. TRADE PAYABLES

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

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**3,516**	10,304
31 – 90 days	**217**	1,386
> 90 days	**17,435**	12,094
	21,168	23,784

13. CONVERTIBLE BONDS AND COUPON BONDS WITH DETACHABLE WARRANTS

3.0% convertible bonds

Pursuant to the bonds instrument dated on 23 August 2012, 3.0% convertible bonds (the "**CB 1**") with aggregate principal amount of HK$96,000,000 were issued by the Company at par with conversion price of HK$0.3 per share to independent parties on 23 August 2012 (the "**Issue Date 1**").

The CB 1 were denominated in Hong Kong dollars ("**HK$**") and carried interest at 3.0% per annum. Interest is repayable annually. The holders of the CB 1 were entitled to convert the CB 1 into 320,000,000 ordinary shares of the Company ("**Conversion Shares 1**") at initial conversion price of HK$0.3 at any time from the Issue Date 1 to the maturity date falling on the third anniversary from the Issue Date 1, 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 bonds instrument).

13. CONVERTIBLE BONDS AND COUPON BONDS WITH DETACHABLE WARRANTS *(continued)*

3.0% convertible bonds *(continued)*

During the Period, all CB 1 were converted into 320,000,000 ordinary shares of the Company with aggregate par value of HK$4,000,000. The Conversion Shares 1 rank *pari passu* in all respects with all other existing shares outstanding at the date of the conversion. Deferred tax of approximately HK$366,000 was credited to profit or loss during the Period with the remaining amount of deferred tax liability of approximately HK$4,289,000 derecognised upon conversion of the CB 1.

During the Period, interest charged on the CB 1 of approximately HK$2,878,000 (six months ended 30 September 2012: HK$1,198,000) was charged to profit or loss.

The aggregated carrying amount of the CB 1 of approximately HK$70,007,000 was derecognised and transferred to equity upon conversion.

7.5% convertible bonds

Pursuant to the bonds instrument dated on 30 August 2013, 7.5% convertible bonds (the "**CB 2**") with aggregate principal amount of HK$300,000,000 were issued by the Company at par with conversion price of HK$0.75 per share to independent parties on 30 August 2013 (the "**Issue Date 2**").

The CB 2 are denominated in HK$ and carry interest at 7.5% per annum. Interest is repayable annually. The holders of the CB 2 are entitled to convert the CB 2 into 400,000,000 ordinary shares of the Company ("**Conversion Shares 2**") at initial conversion price of HK$0.75 at any time from the Issue Date 2 to the maturity date falling on the second anniversary from the Issue Date 2, 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 bonds instrument). The Conversion Shares 2 shall rank *pari passu* in all respects with all other existing shares outstanding at the date of the conversion.

During the Period, no CB 2 were converted into ordinary shares of the Company. The amount is repayable on 30 August 2015 (the "**Maturity Date 1**"). If the CB 2 have not been converted up to the Maturity Date 1, the holders can request the Company to redeem the outstanding CB 2 at the principal amount together with any outstanding interest payable.

The Company can redeem the CB 2 in whole or in part, at par together with all interest accrued on it, by giving not less than 10 business days' notice to the holder(s) of the CB 2 at any time from the Issue Date 2 to the Maturity Date 1.

13. CONVERTIBLE BONDS AND COUPON BONDS WITH DETACHABLE WARRANTS *(continued)*

7.5% convertible bonds *(continued)*

The CB 2 contain two components, liability (including closely related early redemption option) and equity elements. At initial recognition, the fair value of liability of approximately HK$241,200,000 was recognised with the residual value of approximately HK$58,800,000, representing equity element, presented in equity heading "convertible bonds and warrants reserve". Transaction costs relating to the liability component of approximately HK$14,717,000 are included in the carrying amount of the liability portion. The effective interest rate of the liability component is 22.03% per annum. Deferred tax liability of approximately HK$9,702,000 was recognised to the convertible bonds and warrants reserve on initial recognition.

During the Period, interest charged on the CB 2 of approximately HK$4,240,000 (six month ended 30 September 2012: nil) was charged to profit or losses.

6.5% coupon bonds with detachable warrants

Pursuant to the bonds instrument dated on 3 July 2013, 6.5% coupon bonds (the "**6.5% Bonds**") with aggregate principal amount of HK$190,450,000 were issued by the Company at par with 190,450,000 detachable warrants to independent parties on 3 July 2013 (the "**Issue Date 3**"). The warrants are exercisable at any time within twelve months commencing from the date of issuance at an exercise price of HK$0.65 per share, subject to adjustments to subscribe for shares of the Company.

The 6.5% Bonds are denominated in HK$ and carry interest at 6.5% per annum. Interest is repayable annually. The 6.5% Bonds will mature on the date immediately following twelve months after issuance which is 3 July 2014 (the "**Maturity Date 2**").

The Company can redeem the 6.5% Bonds in whole or in part, at par together with all interest accrued on it, by giving not less than 10 business days' notice to the holder(s) of the 6.5% Bonds at any time from the Issue Date 3 to the Maturity Date 2.

The 6.5% Bonds contain two components, liability (including closely related early redemption option) and equity elements. At initial recognition, the fair value of liability of approximately HK$170,510,000 was recognised with the residual value of approximately HK$19,940,000, representing equity element, presented in equity heading "convertible bonds and warrants reserve". Transaction costs relating to the liability component of approximately HK$8,799,000 are included in the carrying amount of the liability portion. The effective interest rate of the liability component is 22.87% per annum. Deferred tax liability of approximately HK$3,290,000 was recognised to the convertible bonds and warrants reserve on initial recognition.

13. CONVERTIBLE BONDS AND COUPON BONDS WITH DETACHABLE WARRANTS *(continued)*

6.5% coupon bonds with detachable warrants *(continued)*

During the Period, interest charged on the 6.5% Bonds of approximately HK$9,185,000 (six month ended 30 September 2012: nil) was charged to profit or losses.

At 30 September 2013, all warrants are outstanding. Exercise in full of outstanding warrants would result in issue of 293,000,000 new ordinary shares with aggregate subscription amount of HK$190,450,000.

14. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
		(unaudited)
Ordinary shares:		
Authorised		
At 1 April 2012 of HK$0.10 each	400,000,000	40,000
Increase by way of share subdivision *(Note i)*	2,800,000,000	–
At 30 September 2012, 1 April 2013 and 30 September 2013 of HK$0.0125 each	3,200,000,000	40,000
Issued and fully paid		
At 1 April 2012 of HK$0.10 each	200,000,000	20,000
Increase by way of share subdivision *(Note i)*	1,400,000,000	–
At 30 September 2012 and 1 April 2013 of HK$0.0125 each	1,600,000,000	20,000
Shares issued for goods received *(Note ii)*	8,010,303	100
Shares issued on conversion of the CB 1 *(Note iii)*	320,000,000	4,000
At 30 September 2013 of HK$0.0125 each	1,928,010,303	24,100

14. SHARE CAPITAL *(continued)*

Note i: Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting on 9 May 2012 and all of the conditions as set out in the circular dated 23 April 2012 had been fulfilled, 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 became effective on 9 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.

Note ii: On 24 May 2013, 8,010,303 ordinary shares, with aggregate par value of approximately HK$100,000, of the Company were allotted and issued as consideration in exchange for goods received from a supplier. Details of the transaction are set out in note 17.

Note iii: During the Period, 320,000,000 ordinary shares of the Company, with aggregate par value of approximately HK$4,000,000, were issued upon the full conversion of the CB 1. Details of the transaction are set out in note 13.

There was no other movement in the Company's share capital for both periods.

15. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 21 September 2012 for the primary purpose of providing incentives to the Directors, eligible employee and consultants (collectively, the "**Grantees**"). On 24 April 2013, 93,100,000 share options (the "**Share Options**") were granted to the Grantees who are entitled 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 and are vested in five tranches given that the Grantees remain in service of the Group at the beginning of each exercisable period 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.

15. SHARE OPTION SCHEME *(continued)*

The table below discloses movement of the Company's share options:

	Number of share options
At 1 April 2013	–
Granted during the period	93,100,000
Forfeited during the period *(Note)*	(500,000)
Outstanding at 30 September 2013	92,600,000

Note: The share options were forfeited due to termination of service of a consultant during the Period.

The closing price of the Company's shares on 24 April 2013, the date of grant, was HK$0.58 per share.

The fair values of the share options determined at the date of grant using the binomial model were approximately HK$33,794,000.

The following assumptions were used to calculate the fair values of share options at the date of grant:

	24 April 2013
Grant date share price	HK$0.58
Exercise price	HK$0.58
Expected life	7.75 years – 8.75 years
Expected volatility	60.68%
Dividend yield	0%
Risk-free interest rate	0.46% – 0.77%

The binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best assessment on the valuer's estimation. Changes in variables and assumptions may result in changes in the fair value of the share options.

16. CONTINGENT LIABILITIES

Legal proceedings initiated by a third party against the Company

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 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 (the "**Notice**") and pre-trial review from the Court. After attended the pre-trial review as specified by the Notice on 3 October 2013, the Court is of the opinion that an interview to the witnesses of the Company and CLI Design (HK) Limited will be arranged before the trial to review their evidence and prepare them to testify at the trial. According to the Notice issued by the Court, 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 condensed consolidated financial statements.

Corporate guarantee

	30.9.2013 ***HK$'000*** **(unaudited)**	31.3.2013 *HK$'000* (audited)
Guarantee given to banks in respect of financing guarantee services	**184,470**	–

The guarantees were given to banks with respect to loans procured by the customers of the Group's financing guarantee services. Such guarantees will be released by banks upon the maturity of the underlying loans. In order to minimise the credit risks of these loans, only referral customers are accepted and short term guarantees are granted. Besides, the Directors assess the financial position of each referral customer and conduct background and credit searches before the guarantee is granted. In addition, the Group performs site visit and loan review regularly to ensure follow up action is taken to assist banks in recovering overdue debts, if any. In the opinion of the Directors, the possibility of default by the customers is remote given the six-month guarantee period granted and satisfactory result on the re-assessment of their financial positions conducted at the end of the Period. Accordingly, no provision has been made in the condensed consolidated financial statements for this guarantee.

17. CAPITAL COMMITMENTS

Pursuant to an agreement entered into between the Company and LTS dated 14 May 2013, LTS is engaged in the development of Chinlink LMIS for the Company's logistics projects in Xi'an City and Hanzhong City of the PRC. The contract sum of the agreement is HK$13,217,000 (the "**Contract Sum**") which will be satisfied by the Company by allotting and issuing, credited as fully paid, an aggregate of 26,701,010 ordinary shares, at issue price of HK$0.495 in three tranches to LTS. During the Period, 8,010,303 ordinary shares representing 30% of the total Contract Sum have been issued. The Company will issue the remaining 18,690,707 ordinary shares once the progress requirements as specified in the contract are fulfilled. Details of the agreement are set out in the announcement made by the Company dated 14 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's businesses in interior decoration work and trading of furniture and fixtures in Hong Kong and Macau have been deteriorating under tough operating environment since last financial year, despite the Group's effort in strengthening sales force and cost-cutting measures. In early 2012, the Group started to look for new opportunities in China and has formulated a unique business model in finance and logistics service to address the shortage of financing channels for the small-and-medium enterprises (the "**SMEs**") in Shaanxi Province. Among all the services that the Group have developed, the logistics services are the first to contribute revenue since March 2013 and also recorded a significant increase in revenue for the Period. With the new financing guarantee business and other logistics services in place and started contributing revenue in September 2013, the Group expects a greater contribution from the new financing guarantee and logistics services segments in the second half of the year ending 31 March 2014 (the "**Financial Year**").

For the Period, the Group's unaudited consolidated revenue decreased by 51.6% to HK$39.2 million as compared with HK$81.0 million for the corresponding period of last year. Gross profit, however, decreased by only 3.4% year-on-year to HK$12.0 million and gross profit margin improved from 15.3% to 30.5%. This was because the two new high-margin businesses, namely the financing guarantee services and the logistics services, made a solid contribution to the Group during the Period. However, the Group still recorded a loss attributable to owners of the Company of HK$31.9 million which was mainly due to declining in interior decoration work and trading of furniture and fixtures businesses, the substantial increase in finance costs to HK$17.8 million and the share option expenses of HK$6.6 million.

Interior Decoration Work and Trading of Furniture & Fixtures

During the Period, revenue for interior decoration work and trading of furniture and fixtures decreased by 48.3% and 75.5% to HK$27.2 million and HK$7.0 million, respectively. These two businesses in Hong Kong and Macau have been adversely affected by the stagnant property and retail market conditions.

Financing Guarantee and Logistics Services

Since March 2013, the Group has started providing logistics consultancy services to a distribution center in Xi'an City, bringing to the Group a new revenue stream of HK$3.5 million for the Period. In May 2013, the Group engaged LTS to develop Chinlink LMIS for the distribution centers and logistics parks operated by the Group in Xi'an City and Hanzhong City, Shaanxi Province. Chinlink LMIS is for efficient logistics management and real time information on critical logistics information including inventory management and transportation status. Chinlink LMIS will be licensed to the tenants and transportation companies in the various logistics and trade centers, under the Group's contracted consultancy services and our self-owned parks in the future. Chinlink LMIS will also provide a powerful database on the clients' activities for the Group's analysis and customisation of products and services to their needs. Furthermore, the system is an effective tool for the Group's financing guarantee services in monitoring the clients' inventory collateral value and undertaking risk management.

Shaanxi Chinlink Financial Guarantee Limited (the "**Financing Guarantee Company**"), an indirect wholly-owned subsidiary of the Company, obtained an official license from the financial affairs office of Shaanxi Province in August 2013 to provide financing guarantee services in Shaanxi Province. As of September 2013, it has already built up a guarantee portfolio of RMB145.6 million and incomes comprising of guarantee fee and consultancy fee of HK$1.5 million was recorded as revenue in September 2013. To further strengthen the Group's financial and risk management capabilities, the Group re-designated Mr. Lau Chi Kit ("**Mr. Lau**") from independent non-executive Director to executive Director in September 2013. Mr. Lau's 35-year experience in banking and finance at The Hongkong and Shanghai Banking Corporation Limited will certainly benefit the Group in future development, especially in the areas of financing services.

Regarding the development of a self-owned modern logistics park (the "**Park**") in Hanzhong City, Shaanxi Province, the expropriation and auction process of the land for the first phase of the Park is still in progress and according to the latest information, the completion shall be delayed to the last quarter of the Financial Year. The first phrase of the Park will occupy 466 acres of land of which is well-connected with highways and railroad systems, featuring various product marketplace, warehouses and other logistics supporting facilities. Our one-stop financing and logistics services solution shall also be in position.

Financial Review

Capital and Debts Structure

On 14 May 2013, Chinlink Hong Kong Company Limited ("**Chinlink (HK)**"), a direct wholly-owned subsidiary of the Company and LTS entered into an agreement ("**Agreement**") for the development of Chinlink LMIS for the Group and to provide services to the Group in respect of it. The contract sum of the Agreement is HK$13.2 million which shall be satisfied by Chinlink (HK) by procuring the Company by allotting and issuing, credited as fully paid, an aggregate of 26.7 million new ordinary shares of the Company to LTS in three tranches at the issue price of HK$0.495 per share. Up to 30 September 2013, the Company has allotted and issued first tranche of the Company's new ordinary shares totalled 8.0 million shares to LTS.

During the Period, an aggregate principal amount of HK$96.0 million of the CB 1 issued on 23 August 2012 was fully converted to 320.0 million shares of the Company at the conversion price of HK$0.3 per conversion share. These conversion shares rank *pari passu* in all aspects with other shares in issue. Upon conversion, the carrying amounts of the CB 1 of HK$70.0 million were derecognised and the relevant convertible bonds reserve of HK$29.7 million was reclassified to equity of the Company. Share capital and share premium were increased by HK$4.0 million and HK$95.7 million respectively.

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

As at 30 September 2013, the Group had net assets of HK$155.8 million (31 March 2013: HK$39.9 million) representing a substantial increase of HK$115.9 million as compared to that of 31 March 2013. The increase was mainly attributable to the net proceeds from the issuance of the 6.5% Bonds with detachable warrants and the CB 2 with principal amount of HK$190.5 million and HK$300.0 million respectively, during the Period and the derecognition of the liability portion of CB 1 after the conversion of CB 1 to conversion shares. Increase was partially netted off by the recognition of the liabilities portion of the 6.5% Bonds and the CB 2.

On 10 June 2013 and 17 June 2013, the Company entered into a placing agreement and underwriting agreement as well as a supplemental placing agreement, respectively, with a placing agent for subscribing in cash for the 6.5% Bonds with aggregate principal amount of HK$190.5 million. For no additional payment, warrants with the same principal amount of the 6.5% Bonds were issued to the first registered holders of the 6.5% Bonds. The 6.5% Bonds carry interest of 6.5% per annum. Both principal and interest are repayable on the date immediately following twelve months after the issue date. The completion of placing of the 6.5% Bonds (the "**Placing 1**") took place on 3 July 2013 and the Company received the net proceeds after expenses in connection with the Placing 1 amounted to approximately HK$180.6 million. The warrants are exercisable at any time within twelve months commencing from the issue date at an initial exercise price of HK$0.65 per warrant share.

As at 30 September 2013, the Company had outstanding the 6.5% Bonds valued at HK$170.9 million (31 March 2013: Nil) which was classified as current liabilities.

On 10 June 2013, the Company entered into a placing agreement with the same placing agent for subscribing in cash for the CB 2 which are due two years from the issue date convertible into shares at the initial conversion price of HK$0.75 per conversion share. The CB 2 carries interest of 7.5% per annum. The completion of placing of the CB 2 (the "**Placing 2**") took place on 30 August 2013 and the Company received the net proceeds after expenses in connection with the Placing 2 amounted to approximately HK$281.7 million.

As at 30 September 2013, the Company had outstanding CB 2 valued at HK$230.7 million (31 March 2013: Nil) which was classified as non-current liabilities.

As at 30 September 2013, the total borrowing of the Group (excluding the 6.5% Bonds, the CB 1 and the CB 2) amounted to HK$9.0 million (31 March 2013: HK$9.5 million) of which approximately HK$8.5 million (31 March 2013: HK$8.9 million) repayable with one year, representing a decrease of HK$0.4 million. The decrease was mainly due to repayment of loan during the Period. 91.1% of the Group's borrowing as at 30 September 2013 are at floating interest rate (31 March 2013: 90.5%) and are denominated in Hong Kong dollars. Hence, the foreign currency risk exposure was minimal.

The Group's gearing ratio as at 30 September 2013 was 0.76 (31 March 2013: 0.78) which was calculated based on the Group's total liabilities of HK$502.9 million (31 March 2013: HK$145.4 million) and the Group's total assets of HK$658.7 million (31 March 2013: HK$185.3 million).

Working Capital

The current ratio increased from 2.34 at 31 March 2013 to 2.44 at 30 September 2013 which is mainly due to increase in pledged bank deposit and bank balances and cash of HK$198.0 million and HK$204.8 million respectively, as a result of the receipt of net proceed from issuance of the 6.5% Bonds and the CB 2 as well as the increase in loan payables of HK$170.9 million as a result of the recognition of the liabilities portion of 6.5% Bond.

Contingent Liabilities and Charges

Save as disclosed in note 16 to the condensed consolidated financial statements, the Group did not have any significant contingent liabilities.

As at 30 September 2013, the Group placed pledged bank deposit of HK$198.0 million to certain banks as securities in return for the banks to provide loans to the Group's financing guarantee services customers. Other than that, the Group pledged its assets with carrying values of HK$0.9 million and HK$17.8 million to secure obligations under finance leases and banking facilities, respectively.

Capital Commitments

As at 30 September 2013, the Group had capital commitments contracted but not provided for in respect of development of Chinlink LMIS. Details of the commitment are set out in note 17 to the condensed consolidated financial statements.

Foreign Currency Exposure

The Group's revenue and expenses are mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). The pledged bank deposit of HK$198.0 million and certain bank deposits are denominated in United States Dollars ("**US$**"). Other monetary assets and liabilities are mainly denominated in HK$ and RMB. During the Period, the exchange rate of RMB to HK$ increased slowly. Further as US$ is pegged to HK$, the Directors considered that the foreign currency risk of the Group is relatively limited.

Interim Dividend

The Directors do not recommend the payment of interim dividend for the Period (six months ended 30 September 2012: Nil).

EMPLOYEES

As at 30 September 2013, the Group employed 40 and 13 employees in Hong Kong and China, respectively (31 March 2013: 40 employees in Hong Kong and 5 employees in China). 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, medial and training programs.

PROSPECT

The Group is currently repositioning itself as an integrated finance and logistics services provider. In view of the encouraging results from the early operation of the new financing guarantee and the logistics services businesses, the Group will accelerate the business expansion in the second half of the Financial Year by launching Chinlink LMIS by the third quarter of the Financial Year to provide a more comprehensive value-added logistics services to the tenants and to complete the first phrase land acquisition of the Park and start the construction works, targeting an initial operation by second half of 2014.

The Group is closely monitoring the performance of interior decoration work and trading of furniture and fixtures. In order to retain resources on the new businesses, management will assess their prospect and may consider downsizing them to be in line with the repositioning of the Group.

The Group will continue to pursue potential projects with the vision of becoming a successful integrated finance and logistics services provider in China. We are confident that this new business positioning will be the Group's sustainable growth driver and will improve the Group's overall profitability in the near future.

CORPORATE GOVERNANCE

During the Period, 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.

Code provision A.5.1 of the CG Code requires the nomination committee of listed issuers is chaired by the chairman of the board or an independent non-executive director. Moreover, Rule 3.25 of the Listing Rules provides that a listed issuer must establish a remuneration committee which is chaired by an independent non-executive director. Subsequent to the re-designation (the "**Re-designation**") of Mr. Lau from independent non-executive Director to executive Director and his vacation as chairman from the nomination and remuneration committee and a member of audit committee (the "**Audit Committee**") of the Company (the "**Vacation**") both with effect from 18 September 2013, the nomination and remuneration committee of the Company did not have chairman.

Code provision A.6.7 of the CG Code requires the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Weibin, an executive Director and the chairman of the Company, and Ms. Fung Sau Mui, a non-executive Director, were unable to attend the special general meeting of the Company held on 22 August 2013 due to their other business engagements.

Rule 3.10(1) of the Listing Rules provides that every board of directors of listed issuer must include at least three independent non-executive directors. Moreover, Rule 3.21 of the Listing Rules provides that the audit committee of a listed issuer must comprise a minimum of three members. Subsequent to Mr. Lau's Re-designation and Vacation on 18 September 2013, the Company did not have three independent non-executive Directors and the members of the Audit Committee fell below the required number under Rules 3.10(1) and 3.21 of the Listing Rules, respectively. The Company is endeavouring to identify suitable candidate to fill the vacancy as soon as practicable, with the relevant appointment(s) to be made within three months from 18 September 2013. The Company will make further announcement(s) as and when appropriate.

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 Period.

AUDIT COMMITTEE

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 2013.

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 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 2013

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