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 2016

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Chinlink International Holdings Limited (the "**Company**" or "**Chinlink**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2016 (the "**Year**"), together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue	*3*	**201,297**	252,393
Cost of sales and services		**(149,966)**	(196,603)
Gross profit		**51,331**	55,790
Other income, gains and losses	*5*	**(2,875)**	10,810
Gain on fair value change of investment properties		**16,556**	8,762
Gain on bargain purchase in acquisition of a subsidiary	*14*	**309,966**	–
Selling and distribution costs		**(8,156)**	(5,751)
Administrative expenses			
– equity-settled share-based payments		**(7,339)**	(12,169)
– other administrative expenses		**(73,328)**	(52,617)
		(80,667)	(64,786)
Finance costs	*6*	**(119,167)**	(80,983)
Profit (loss) before taxation	*7*	**166,988**	(76,158)
Income tax expense	*8*	**(7,928)**	(4,031)
Profit (loss) for the year		**159,060**	(80,189)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2016

	NOTE	2016 HK$'000	2015 HK$'000
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(7,660)**	(1,479)
Total comprehensive income (expense) for the year		**151,400**	(81,668)
Profit (loss) for the year attributable to:			
Owners of the Company		**157,663**	(80,189)
Non-controlling interests		**1,397**	–
		159,060	(80,189)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**151,301**	(81,668)
Non-controlling interests		**99**	–
		151,400	(81,668)
Earnings (loss) per share	*10*		
– Basic		**HK6.05 cents**	HK(3.65) cents
– Diluted		**HK6.04 cents**	HK(3.65) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**25,220**	24,921
Investment properties		**2,647,938**	244,416
Intangible assets		**3,946**	6,201
Deposit paid for acquisition of investment properties		**32,312**	33,720
Deposit paid for prepaid lease payments for land		**29,918**	–
Deposit paid for acquisition of a subsidiary	14	**–**	30,000
Amounts due from former subsidiaries		**11,937**	–
Deposits and prepayments		**577**	770
		2,751,848	340,028
Current assets			
Inventories		**3,251**	2,006
Deposit paid for prepaid lease payments for land		**–**	31,223
Accrued revenue		**3,123**	5,520
Trade receivables	11	**6,433**	70,183
Trade receivables from related companies	11	**208**	5,803
Loan receivables	11	**77,381**	10,030
Bills receivables		**–**	2,332
Other receivables, deposits and prepayments		**20,996**	11,799
Amounts due from former subsidiaries		**5,793**	21,306
Pledged bank deposits		**235,206**	344,601
Bank balances and cash		**48,975**	67,145
		401,366	571,948
Current liabilities			
Deferred revenue		**2,057**	2,382
Trade payables	12	**13,664**	75,244
Other payables and accruals		**32,895**	16,192
Loans from staff		**11,838**	–
Construction costs accruals		**206,134**	38,548
Receipts in advance		**31,607**	2,649
Deposits received from tenants		**25,110**	–
Amounts due to former subsidiaries		**–**	9,536
Amounts due to related companies		**37,817**	22,195
Amount due to a director		**16,320**	–
Provision for warranty		**219**	1,999
Financing guarantee contracts	17	**2,418**	2,935
Tax payable		**6,132**	3,453
Bank and other borrowings		**112,454**	9,396
12.0% coupon bonds		**430,506**	–
8.0% coupon bonds		**201,684**	–
7.5% convertible bonds		**–**	294,472
Obligations under finance leases		**798**	942
		1,131,653	479,943

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2016

	NOTE	2016 HK$'000	2015 HK$'000
Net current (liabilities) assets		**(730,287)**	92,005
Total assets less current liabilities		**2,021,561**	432,033
Non-current liabilities			
10.0% convertible bonds		**66,683**	–
Conversion option derivative embedded in convertible bonds		**7,891**	–
8.0% coupon bonds		**–**	193,621
12.0% coupon bonds		**128,380**	–
7.5% coupon bonds		**198,546**	–
Deferred tax liabilities		**200,917**	7,707
Receipts in advance		**32,169**	–
Bank and other borrowings		**267,247**	–
Amounts due to former subsidiaries		**6,437**	–
Obligations under finance leases		**1,481**	2,352
		909,751	203,680
		1,111,810	228,353
Capital and reserves			
Share capital	13	**34,896**	28,546
Reserves		**662,859**	199,807
Equity attributable to owners of the Company		**697,755**	228,353
Non-controlling interests		**414,055**	–
		1,111,810	228,353

Notes:

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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.

Except as described below, the accounting policies and methods of computation used in the Group's consolidated financial statements for the year ended 31 March 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2015.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable provided in the normal course of business, net of discounts and sales related tax.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Management fee income is recognised on a straight-line basis over the term of relevant contract period.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Leasing

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Convertible loan notes contain liability component and conversion option derivative

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled other than 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 a conversion option derivative.

At the date of issue, both the liability component and conversion option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at "Fair Value Through Profit or Loss".

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

New and revised HKFRSs in issue but not yet effective

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

The directors of the Company anticipate that other than application of HKFRS 9, HKFRS 15 and HKFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements, the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these 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 Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance (the "**CO**").

The provisions of the new CO (Cap 622) regarding preparation of accounts and directors' report and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidation financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as of 31 March 2016, the Group's current liabilities exceeded its current assets by approximately HK$730,287,000.

The directors of the Company closely monitor the liquidity of the Group. Taken into account of:

(1) the availability of the Group's existing credit facilities of approximately HK$1,030,000,000 – a new long-term credit facility of HK$400,000,000 from a controlling shareholder of the Company obtained in June 2016, in which HK$120,000,000 has been drawn down; and a long-term bank loan facility available as at 31 March 2016 of approximately HK$630,000,000, in which HK$175,000,000 has been drawn down; and

(2) the proposed placement of HK$300,000,000 convertible bonds (the "**Proposed Placement**") – on 29 March 2016, the Group has entered into a placing agreement with a placing agent to issue convertible bonds under general mandate with principal amount of approximately HK$300,000,000 in two tranches. The Company re-negotiated the terms with the placing agent and on 16 June 2016, the Company and the placing agent re-entered into an engagement letter to continue the Proposed Placement,

the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis.

3. REVENUE

Revenue which represents the sales value of goods supplied to customers and service income from interior decoration work, financing guarantee services, logistics services, property investment and money lending is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue from interior decoration work	**16,538**	140,362
Revenue from international trading	**113,388**	72,488
Revenue from financing guarantee services	**20,231**	26,961
Revenue from logistics services	**687**	7,662
Revenue from property investment	**44,888**	–
Interest income from money lending	**5,565**	4,920
	201,297	252,393

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.

The Group's operating and reportable segments under HKFRS 8 are (i) interior decoration work, (ii) international trading, (iii) financing guarantee services, (iv) logistics services and (v) property investment.

During the year ended 31 March 2016, the Group acquired E-Innovation Limited ("**E-Innovation**") which is principally engaged in property investment – property leasing and property management business. Since then, the CODM reviews the financial performance of property investment operation separately. Results from property investment are presented as an operating and reportable segment. Meanwhile, money lending business was not reviewed by the CODM and therefore it is not a reportable segment. Revenue from money lending is presented as unallocated revenue.

4. **SEGMENT INFORMATION (continued)**

The revenue streams and results from these segments 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.

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

Segment revenue and results

The following is an analysis of the Group's revenue and results in Hong Kong, Macau and the People's Republic of China ("**China**" or the "**PRC**") by reportable and operating segments:

	Year ended 31 March 2016		Year ended 31 March 2015	
	Segment revenue *HK$'000*	**Segment profit (loss) for the year** *HK$'000*	Segment revenue *HK$'000*	Segment profit (loss) for the year *HK$'000*
Interior decoration work	**16,538**	**(10,261)**	140,362	6,553
International trading	**113,388**	**(7,947)**	72,488	(4,506)
Financing guarantee services	**20,231**	**13,910**	26,961	18,145
Logistics services	**687**	**(3,762)**	7,662	1,478
Property investment	**44,888**	**333,649**	–	–
Revenue and result for reportable segment	**195,732**	**325,589**	247,473	21,670
Unallocated revenue	**5,565**		4,920	
Total	**201,297**		252,393	
Unallocated income, gains and losses		**(2,091)**		14,845
Equity-settled share-based payments		**(5,333)**		(8,788)
Unallocated gain on fair value change of investment properties		**10,842**		8,762
Gain on fair value change of the derivative components of convertible bonds		**4,324**		–
Unallocated corporate expenses		**(47,176)**		(31,664)
Finance costs		**(119,167)**		(80,983)
Profit (loss) before taxation		**166,988**		(76,158)

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central administration costs, equity-settled share-based payments in relation to central administrative staff, gain on fair value change of investment properties (except for gain on fair value change of certain investment properties and gain on bargain purchase on acquisition of a subsidiary under property investment operation), other income, gains and losses (except for reversal of allowance for bad and doubtful debts, net, adjustments on the carrying amount of amounts due from former subsidiaries and amounts due to former subsidiaries), directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Other segment information

Amounts included in the measure of segment profit or loss:

	Year ended 31 March 2016							Year ended 31 March 2015					
	International trading	**Interior decoration work**	**Financing guarantee services**	**Logistics services**	**Property investment**	**Unallocated**	**Total**	International trading	Interior decoration work	Financing guarantee services	Logistics services	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Write down of inventories	**–**	**1,021**	**–**	**–**	**–**	**–**	**1,021**	–	–	–	–	–	–
Depreciation of property, plant and equipment	**17**	**33**	**96**	**409**	**481**	**2,195**	**3,231**	17	29	99	608	1,410	2,163
Amortisation of intangible assets	**–**	**–**	**–**	**2,255**	**–**	**–**	**2,255**	–	–	–	564	–	564
Reversal of allowance for bad and doubtful debts, net	**(456)**	**–**	**–**	**–**	**–**	**–**	**(456)**	(885)	–	–	–	–	(885)
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**1**	**–**	**1**	–	–	–	–	–	–

Geographical information

The Group's operations are located in Hong Kong, Macau and the PRC. Despite the revenue from money lending which is based on the locations of fundings advanced, all the remainings of the Group's revenue from external customers are based on locations of business registration of the customers.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**86,442**	151,566	**19,631**	21,621
The PRC	**114,855**	100,827	**2,657,473**	318,407
	201,297	252,393	**2,677,104**	340,028

4. SEGMENT INFORMATION (continued)

Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**N/A**	28,924
Customer B[2]	**39,072**	N/A
Customer C[2]	**42,879**	62,956

1 *Revenue from interior decoration work*
2 *Revenue from international trading*

5. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Other income		
Interest income	**12,407**	8,573
Imputed interest income from amounts due from former subsidiaries	**2,172**	1,905
	14,579	10,478
Other gains and losses		
Adjustments on the carrying amount of amounts due from former subsidiaries	**(5,747)**	–
Adjustments on the carrying amount of amounts due to former subsidiaries	**3,099**	–
Loss on disposal of property, plant and equipment	**(1)**	–
Net foreign exchange loss	**(20,802)**	(553)
Reversal of allowance for bad and doubtful debts, net	**456**	885
Gain on fair value change of derivative components of convertible bonds	**4,324**	–
Others	**1,217**	–
	(17,454)	332
	(2,875)	10,810

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings	**18,389**	3,661
Effective interest expense on 10.0% convertible bonds	**4,029**	–
Effective interest expense on 7.5% convertible bonds	**23,613**	59,714
Effective interest expense on 6.5% coupon bonds	**–**	11,497
Effective interest expense on 8.0% coupon bonds	**24,063**	9,780
Effective interest expense on 7.5% coupon bonds	**14,546**	–
Effective interest expense on 12.0% coupon bonds	**38,935**	–
Obligations under finance leases	**221**	120
Total finance costs	**123,796**	84,772
Less: Amount capitalised in investment properties under construction	**(4,629)**	(3,789)
	119,167	80,983

Finance cost capitalised during the year ended 31 March 2015 arose on the specific borrowings was approximately HK$1,845,000. Finance cost capitalised during the year ended 31 March 2016 arose on the general borrowing pool of approximately HK$4,629,000 (2015: HK$1,944,000) are calculated by applying capitalisation rate of 10.51% per annum (2015: 12.13%).

7. PROFIT (LOSS) BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,800**	1,180
Depreciation of property, plant and equipment	**3,231**	2,163
Amortisation of intangible assets	**2,255**	564
Write down of inventories (included in cost of sales and services)	**1,021**	–
(Reversal of provision) provision for warranty (included in cost of sales and services)	**(102)**	1,709
Staff costs (including directors' emoluments)		
Wages, salaries and other benefits	**32,749**	29,766
Retirement benefits scheme contributions	**916**	712
Equity-settled share-based payments *(Note)*	**7,339**	12,169
	41,004	42,647
Cost of inventories recognised as expenses	**114,575**	71,528
Loss on disposal of property, plant and equipment	**1**	–
Operating lease rentals paid in respect of rented properties	**8,974**	7,718
Operating lease rentals paid in respect of office equipment	**43**	238

Note: Amount included equity-settled share-based payment to consultants of HK$2,099,000 (2015: HK$3,427,000) in connection with the services provided by the consultants who solely rendered services and reported their duties to the Group during the current and prior reporting periods. Such services are similar as in nature to those rendered by employees of the Group.

8. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**49**	17
PRC	**7,719**	4,865
Macau	**74**	189
	7,842	5,071
Underprovision in prior years:		
Hong Kong	**2**	–
	7,844	5,071
Deferred tax	**84**	(1,040)
	7,928	4,031

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulation of the EIT Law, the concessionary tax rate of 15% is applied to the newly acquired subsidiaries, namely Tang Rong and Ba Qiao (as defined in note 14), during the year end as it is recognised as "Go-west" region development programme corporate which is entitled to apply the rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every year. The tax rate of the remaining PRC subsidiaries is 25% from 1 January 2008 onwards.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both years.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2016	2015
	HK$'000	*HK$'000*
Earnings (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**157,663**	(80,189)

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

Number of shares

	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,606,667**	2,199,264
Effect of dilutive potential ordinary shares		
Share options	**5,418**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**2,612,085**	2,199,264

During the year ended 31 March 2016, the computation of diluted earnings per share does not assume the conversion of the outstanding 10.0% convertible bonds, conversion of outstanding 7.5% convertible bonds during the conversion period in year 2016 as they would result in increase in earnings per share.

During the year ended 31 March 2015, the computation of diluted loss per share does not assume the conversion of the outstanding 7.5% convertible bonds and the exercise of share options and warrants as they would result in decrease in loss per share.

11. **TRADE RECEIVABLES AND LOAN RECEIVABLES**

Trade receivables

	2016 ***HK$'000***	2015 *HK$'000*
Trade receivables	**8,105**	72,311
Less: Allowances for bad and doubtful debts	**(1,672)**	(2,128)
	6,433	70,183

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

	2016 ***HK$'000***	2015 *HK$'000*
0 – 30 days	**2,519**	66,455
31 – 90 days	**3,607**	342
> 90 days	**307**	3,386
	6,433	70,183

The Group's credit terms for its major customers of interior decoration work and international trading are usually 3 months to 1 year. The credit terms granted by the Group to other trade debtors of interior decoration work and international trading are normally 30 days.

11. TRADE RECEIVABLES AND LOAN RECEIVABLES (continued)

Trade receivables (continued)

Customers related to financing guarantee services are required to settle either on monthly instalments in arrear or upon signing of the financing guarantee services contracts or relevant consultancy services contracts. As at 31 March 2016, among the trade receivables, balances of HK$2,792,000 (2015: HK$949,000) are related to financing guarantee services, in which HK$620,000 was aged within 30 days and HK$2,172,000 was aged within 31-90 days (2015: HK$675,000 was aged within 30 days, HK$274,000 aged within 31-90 days) in the business of financing guarantee services.

The Group's credit terms for its customers related to logistics services are normally 30 days.

Before accepting any new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. Included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$4,636,000 and HK$68,329,000 as at 31 March 2016 and 2015 respectively, which are neither past due nor impaired. The directors of the Company considered that trade receivables which are neither past nor yet impaired are of good credit quality and there are continuous subsequent settlements from these customers.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,797,000 (2015: HK$1,854,000) which are past due as at 31 March 2016 for which the Group has not provided for impairment loss. The Group does not hold any collateral over trade receivables. The average age of the receivables is 44 days (2015: 19 days).

Apart from the balance disclosed above, as at 31 March 2015, amounts of HK$5,620,000 were classified as trade receivables from related companies in which the controlling shareholders of the Company (who is also a director of the Company) has significant influence to these related companies. Such balances were in connection with the logistic services. As at 31 March 2015, the amount of HK$2,056,000 was aged within 90 days and the remaining amount was aged within 91 to 270 days. Due to business tax reformation in Xi'an City of the PRC, the balance remains outstanding for a period longer than the normal credit term granted. After the completion of the aforementioned tax reformation in December 2013, the amounts have been settled progressively. Such trade receivables have been settled during the year.

There are another amounts of HK$208,000 (31 March 2015: HK$183,000) classified as trade receivables from related companies in which the relatives of this controlling shareholder has significant influence to these related companies. Such trade receivables are in connection with the financing guarantee services. As at 31 March 2016, the entire amount of HK$208,000 is aged within 90 days (31 March 2015: the entire amount of HK$183,000 was aged within 90). Having considered the continuous settlement subsequent to 31 March 2016, up to the date of authorisation for issue of these consolidated financial statements, the directors of the Company consider these balances are not impaired.

The Group granted the same credit terms as those independent customers related to logistics services and financing guarantee services. Such balances are trade in nature, unsecured and non-interest bearing.

Loan receivables

Loan receivables of HK$77,381,000 (2015: HK$10,030,000) represents the outstanding loan receivables from independent third parties which are unsecured and carries interest at Hong Kong Prime Interest Rate plus 4.0% per annum or fixed-rates of 12.0% per annum (2015: Hong Kong Prime Interest Rate plus 4.0% per annum). The weighted average effective interest rate of the loan receivables is 10.48% (2015: 9.0%) per annum. Amounts at both 31 March 2016 and 2015 are repayable within six months from the loan advance date.

12. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**2,582**	62,804
31 – 90 days	**40**	3,502
> 90 days	**11,042**	8,938
	13,664	75,244

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

13. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares:		
Authorised		
At 1 April 2014 and 31 March 2015 of HK$0.0125 each	3,200,000,000	40,000
Increase in authorised share capital	**1,800,000,000**	**22,500**
At 31 March 2016 of HK$0.0125 each	**5,000,000,000**	**62,500**
Issued and fully paid		
At 1 April 2014 of HK$0.0125 each	1,928,010,303	24,100
Shares issued for goods received	5,656,566	71
Shares issued	350,000,000	4,375
At 31 March 2015 of HK$0.0125 each	2,283,666,869	28,546
Shares issued on conversion of 7.5% convertible bonds *(Note i)*	**110,000,000**	**1,375**
Shares issued for acquisition of subsidiaries *(Note ii)*	**398,009,950**	**4,975**
At 31 March 2016 of HK$0.0125 each	**2,791,676,819**	**34,896**

Note i: During the year ended 31 March 2016, 110,000,000 ordinary shares of the Company, with aggregate par value of approximately HK$1,375,000, were issued upon the parties conversion of 7.5% convertible bonds.

Note ii: During the year ended 31 March 2016, 398,009,950 ordinary shares of the Company, with aggregate par value of approximately HK$4,975,000, were issued for settlement of consideration for acquisition of a subsidiary. Details are set out in note 14.

14. ACQUISITION OF A SUBSIDIARY

On 31 August 2015, the Group completed the acquisition of (i) the entire issued share capital of E-Innovation and (ii) sale loan of a subsidiary of E-Innovation (the "**Sale Loan**") due to Sino Virtue Holdings Limited (the "**Vendor**") at a total consideration of approximately HK$830,846,000.

E-Innovation is a company incorporated in British Virgin Islands on 7 July 2014 with limited liability and was then wholly owned by the Vendor. It is an investment holding company and its principal asset is its investment in High Express International Limited ("**High Express**"), a company incorporated in Hong Kong on 15 January 2014 with limited liability. High Express in turn holds 73.375% of the equity interest in 西安唐榮置業有限公司 (Xi'an Tang Rong Real Estate Limited) ("**Tang Rong**") whose principal activity is leasing of properties, and 73.375% of the equity interest in 西安大明宮灞橋建材家居有限公司 (Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited) ("**Ba Qiao**") whose principal activities are operation and management of commercial buildings.

Tang Rong owns a land parcel situated at the east side of Banyin Road, Baqiao District, Xi'an City, Shaanxi Province, PRC（中國陝西省西安市灞橋區半引路東側）(the "**Land**") and the shopping mall building with a total gross floor area of approximately 190,000 square meters comprising seven-storey above ground and two basement floors, situated on the Land (namely, Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)（大明宮建材家居•東三環店）) (the "**Commercial Complex**") and Ba Qiao owns the fixed assets in the Commercial Complex and is principally engaged in operation, and management of Commercial Complex.

Pursuant to the sales and purchase agreement signed between the Company and the Vendor on 18 February 2015, the consideration shall be partly satisfied by (i) HK$30,000,000 in cash and paid within two months after signing of the sale and purchase agreement; (ii) HK$450,000,000 in cash upon completion of the acquisition (the "**Completion**"); (iii) HK$120,000,000 settled by procuring the Company to issue the bond in the principal amount of HK$120,000,000 carrying interest rate of 12.0% due on the fifth anniversary of the date of issue of the bond to the Vendor (or its nominee) upon Completion; and (iv) allot and issue of 398,009,950 shares of the Company to the Vendor (or its nominee) upon Completion. On 31 July 2015 and 31 August 2015, the Company and the Vendor entered into supplemental agreements pursuant to which the parties agreed to revise the means of settlement of the remaining cash consideration of HK$450,000,000 to be paid upon Completion with the unsecured bond with aggregate principal amount of HK$450,000,000. All these details are set out in the announcements of the Company dated 18 February 2015, 31 July 2015 and 31 August 2015 as well as the circular of the Company dated 6 May 2015. The carrying amount of the Sale Loan at the Completion is approximately HK$379,353,000.

The directors of the Company considered that acquisition of equity interest in E-Innovation and its subsidiaries constitute a business combination and adopted the acquisition method to account for the transaction. After re-assessment the provisional amount of gain on bargain purchase arising as a result of the acquisition amounting to approximately HK$309,966,000, was recognised in the profit or loss and other comprehensive income. In the opinion of the directors, the consideration of the acquisition was mutually agreed between the parties in an arm's length basis and the gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to the Vendor and the opportunity provided to the Vendor to acquire a significant amount of equity shares of the Company through this acquisition.

14. ACQUISITION OF A SUBSIDIARY (continued)

Consideration transferred

	HK$'000
Bonds consideration	570,000
Shares consideration *(Note 1)*	230,846
Deposit paid of HK$30,000,000 during the year ended 31 March 2015	30,000
Total consideration transferred	830,846
Assignment of the Sale Loan *(Note 2)*	(379,353)
Amount attributable to the acquisition of equity interest in E-Innovation	451,493

Notes:

(1) The shares consideration is approximately HK$230,846,000, representing the fair value of 398,009,950 new shares of at 31 August 2015. The fair value of the ordinary shares of the Company was determined by reference to the published closing market price of HK$0.58 per share at date of Completion.

(2) Upon acquisition date, High Express assigned the Sale Loan due by the acquiree to the Vendor at carrying amount of approximately HK$379,353,000 to the Company.

Acquisition-related costs amounting to HK$3,786,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed by the Group at provisional fair value at the date of acquisition are as follows:

	HK$'000
Interest in an associate *(Note 3)*	3,001
Property, plant and equipment	2,284
Investment properties	2,218,339
Deposit paid for construction of investment properties	1,516
Trade receivables	4,913
Other debtors, deposits and prepayments	1,420
Tax recoverable	7
Bank balances and cash	24,482
Other creditors and accrued charges	(13,407)
Construction costs accruals	(8,268)
Profits tax liabilities	(837)
Receipts in advance	(72,838)
Deposits received from tenants	(27,284)
Amount due to the Company	(379,353)
Loans from staff	(10,869)
Bank and other borrowings	(373,443)
Deferred tax liabilities *(Note 4)*	(194,248)
Less: non-controlling interests *(Note 5)*	(413,956)
Gain on bargain purchase	(309,966)
Total consideration transferred	451,493

14. **ACQUISITION OF A SUBSIDIARY (continued)**

Consideration transferred (continued)

Notes:

(3) The associate was deregistered in December 2015. Relevant investment cost of HK$3,001,000 has been classified as other receivable as at year ended 31 March 2016.

(4) For the purposes of measuring deferred taxation arising from the Land and the Commercial Complex that are measured using the fair value model, the concessionary tax rate of 15% is applied as it is recognised as “Go-west” region development programme corporate which is entitled to apply the rate of 15%. The directors of the Company believe that the Company can keep applying the 15% concessionary tax rate under “Go West” region development programme.

(5) The non-controlling interest in Tang Rong and Ba Qiao recognised at the date of acquisition was measured by reference to the proportionate share of the recognised fair value of net assets of Tang Rong and Ba Qiao.

Net cash inflow on acquisition of E-Innovation

	HK$'000
Total cash consideration paid	30,000
Less: Deposit paid during the year ended 31 March 2015	(30,000)
Add: Bank balances and cash acquired	24,482
	24,482

Included in the profits for the year is approximately HK$5,246,000 attributable to the additional business generated by property investment business. Revenue for the year includes approximately HK$44,888,000 generated from property investment business. Had the acquisition been completed on 1 April 2015, total group revenue for the year and profit for the year would have been approximately HK$234,097,000 and HK$156,939,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future results.

15. **OPERATING LEASE COMMITMENTS**

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

As lessee

	2016	2015
	HK$'000	*HK$'000*
Within one year	**6,670**	5,935
In the second to fifth year inclusive	**1,224**	2,394
	7,894	8,329

Operating lease payments represent rental payable by the Group for its office premises and equipment.

Leases are negotiated for an average term of two years and rentals are fixed for the lease period.

15. OPERATING LEASE COMMITMENTS (continued)

As lessor

	2016	2015
	HK$'000	*HK$'000*
Within one year	**5,137**	–

Operating lease income represent rental receivable by the Group for its leasing of retail shop, offices and car park in the Commercial Complex.

16. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements		
– construction in connection with the investment properties	**240,014**	437,441

17. CONTINGENT LIABILITIES

Corporate guarantee

	2016	2015
	HK$'000	*HK$'000*
Guarantee given to banks in respect of financing guarantee services provided to:		
– Independent third parties	**303,603**	378,442
– Related parties	**25,131**	48,707
	328,734	427,149

As at 31 March 2016, excluding the financing guarantee contracts of approximately HK$2,418,000 (2015: HK$2,935,000), the net outstanding guarantee given to banks in respect of financing guarantee services provided amounted to approximately HK$326,316,000 (2015: HK$424,214,000).

18. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2016, the Group has entered into a placing agreement with a placing agent to issue convertible bonds under general mandate with principal amount of approximately HK$300,000,000 in two tranches. The Company re-negotiated the terms with the placing agent and on 16 June 2016, the Company and the placing agent re-entered into an engagement letter to continue the Proposed Placement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Year, the Company continued to strengthen its foothold in the alternative finance business, with the aim to deliver a comprehensive financing platform to optimize the supply chain cash flow and efficiency for the small and medium-sized enterprises ("**SMEs**") in China and Hong Kong.

During the Year, the Group's main finance services included financing guarantee and supply chain finance, a new diversified service stemming from the Group's international trading business. The Group recorded a decrease in revenue in financing guarantee mainly because of the continuous slowdown of the China economy. Banks in China have tightened their credit approval to the SMEs and therefore the Group adopted a more cautious approach in financing guarantee. However, the Group attained a significant growth from international trading contributed by supply chain finance business which is a new addition to the Group's financing platform, providing short term financial assistance to SMEs in China and Hong Kong for specific use in their normal course of business for procurement of materials and finished goods. This type of financing is largely dependent on the Group's logistics support to retain physical control on the goods being financed. The Group is able to integrate both finance and logistics services to achieve a synergy effect under an enclosed supply chain ecosystem. The Group is confident to expand supply chain finance in spite of the current difficult economic climate in China since the Group has such an unique risk management system, allowing access to the clients' business operations and supply chain processes, and the transactions are all self-liquidating. Moreover, the Group holds the inventory as the last resort which further strengthens the Group's security position.

Originally, the Group aimed to launch the new finance leasing business in the fourth quarter of the Year. However, it took longer time to build up a professional and experienced team. Hence the finance leasing business is expected to commence in second half of 2016. With the addition of finance leasing, the Group will be able to provide a comprehensive and customized financing solution to cater for different funding needs. The Group has strong confidence in this new financing operation because of the relatively low penetration rate in China, especially in the north, comparing with the developed countries and the national priority to develop finance leasing by encouraging capital investment from the private sector.

Another major achievement of the Group during the Year was the acquisition of 100.0% of issued share capital of E-Innovation and the Sale Loan (the "**Acquisition**"), which indirectly held 73.375% equity interest in both Tang Rong as well as Ba Qiao. With the Acquisition, the Group obtained the use right of the Land (58,698 square metres) together with the Commercial Complex (with the Land, collectively the "**Property**") located in the eastern part of Xi'an City, a large building materials and home furnishings shopping centre which caters for medium to high-end wholesale and retail customers. This strategic Acquisition not only strengthened the Group's asset base, but also broadened the revenue mix in the forms of rental and management service fees, as well as expanding the client pool for the Group's finance and logistics services.

Regarding the existing logistics services, it remains as a key component in the Group's risk management system in monitoring the physical flow of the goods and inventory level, capturing trade and transaction data of our customers. It would continue to serve as a strategic support to the Group's finance business and act as a value-added service provider to the Group's finance services clients.

For the Year, the Group's revenue was HK$201.3 million, representing a decrease of 20.2% from HK$252.4 million of last year. The most significant revenue decline was from interior decoration work business attributable to the strategic repositioning of the Group by putting more emphasis and resources on developing finance business and in property investment. However, revenue gains from international trading business, including supply chain finance, and the property investment together compensated the shrinking revenue from interior decoration work business. International trading business and property investment delivered an encouraging performance, with revenue amounted to HK$113.4 million (2015: HK$72.5 million) and HK$44.9 million (2015: Nil), representing 56.3% and 22.3%, respectively of total revenue as the top two revenue contributors during the Year. Gross profit slightly decreased by 8.1% year-on-year from HK$55.8 million to HK$51.3 million while gross profit margin rose from 22.1% to 25.5% as property investment income had higher gross profit margin. With a recognition of a gain on bargain purchase of HK$310.0 million from the Acquisition in August 2015 but partially net-off by the increase in administrative expenses and finance costs as a result of the Group's expansion and the Acquisition, the Group recorded profit attributable to owners of the Company of HK$157.7 million, compared to a loss of HK$80.2 million for the year ended 31 March 2015.

Financing Guarantee Services

During the Year, the revenue of financing guarantee services amounted to HK$20.2 million, representing a decrease of 25.2% from HK$27.0 million of last year. The drop was mainly attributable to the tightening of bank credit line to the Group's prospective clients, mostly China SMEs, and the adoption of a more conservative approach by the Group, amid a decelerating domestic economy. This conservative bank lending attitude largely restricted the Group's financing guarantee business growth. Another reason for the decline in revenue was the narrowing of guarantee fee and consultancy fee charge rates as a result of multiple interest rate cuts during the Year.

Nevertheless, the asset quality of the financing guarantee business remains healthy with zero default rate since its inception. Since Chinlink provides financing and logistics services to the clients of trade and logistics centres, offering "inventory-as-collateral" service, giving the Group better means to manage and contain the credit risk.

International Trading

Revenue of international trading business recorded a 56.4% growth to HK$113.4 million during the Year, comparing to HK$72.5 million of last year. The improvement was primarily because of the expansion of customer base and diversification to new trading service, i.e. supply chain finance.

In June 2015, the Group started the supply chain finance business in Hong Kong and Xi'an City to complement with the existing international trading business. Supply chain finance helps the SMEs to free up working capital tie-up in less liquid assets like inventory and accounts receivables. With the support of the Group's logistics facilities, the Group can offer a package of supply chain services including procurement financing, inventory and receivable financing, custom clearance, warehousing and inventory management, transportation and delivery. The Group mainly focuses on procurement financing in Xi'an City and Hong Kong, targeted at distributors of home electrical appliances and critical electronic parts and components and memory used in digital electronic products such as smartphones, tablets and storage devices. Such combination of supply chain finance and logistics is in high demand from the SMEs who has limited access to traditional commercial bank credit in China, whilst the Group's logistics service can also improve their operational efficiency. This kind of financing product can also hedge against the decelerating domestic economy and rising credit quality pressure because the Group can access to the clients' supply chain operations and first-hand information on their business performance.

Logistics Services

Revenue of logistics services decreased from HK$7.7 million for the year ended 31 March 2015 to HK$0.7 million for the Year, representing a 90.9% drop year-on-year. The significant decrease in revenue was because of the contract expiry of a major client at the end of last year.

The Group's logistics services included warehousing and inventory management, logistics consultancy and other logistics related value-added services. It will continue to play a vital role in complementing the Group's financing business and development of the Group's trade and logistics centre.

Interior Decoration Work

For the Year, the revenue of interior decoration work amounted to HK$16.5 million, representing a decrease of 88.2% from last year. The decline in result was mainly due to the decrease in number of new sizable projects during the Year as it faces shrunken retail sector, in particular, luxury products in both Hong Kong and Macau as well as the decrease in number of transaction in second-hand property market. As at 31 March 2016, there was very limited number of projects on hand. As the performance of the interior decoration work was discouraging, the Group will explore various options including but not limited to streamlining the operation to minimize the loss.

Property Investment

The Commercial Complex

During the Year, the revenue contributed from property investment amounted to HK$44.9 million, which comprised rental income and management services income contributed by the Commercial Complex since Acquisition completed on 31 August 2015.

With its geographical excellence and the successful operation in the past years, the occupancy rate of the Commercial Complex with seven-storey and two basement floors had been constantly around 90% with approximately 600 tenants, generating a stable income stream and strengthening the Group's financial position. The 600 tenants are valuable resources for the cross-selling of the Group's finance and logistics businesses.

Chinlink•Worldport Integrated Logistics Park

The progress of Chinlink•Worldport Integrated Logistics Park, the logistics park on the land plot located at Hantai District, Hangzhong City, Shaanxi Province, the PRC (the "**Chinlink•Worldport**") has been reassuring, as Phase I is expected to be completed and in operation in the fourth quarter of 2016.

Chinlink•Worldport represents the first, largest and most important project in Baohe Logistics Park, which is located in Hanzhong City, Shaanxi Province, China, covering a construction area of approximately 0.25 million square metres. Sitting across 3 major logistics regions (Central, Northwest and Southwest) while connecting to 3 major economic zones (Jianghan, Chengdu-Chongqing and Guanzhong-Tianshui). Chinlink•Worldport will become a regional trade and logistics hub for the southwestern area of Shaanxi Province and the nearby provinces and cities in the near future. To maximize its locational benefits, the site will equip with the only custom import bonded warehouse in Southern Shaanxi and the Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre. In October 2015, the Group also entered into a letter of intent with Hantai District People's Government of Hanzhong Municipality, Shaanxi Province, China, to co-develop the only Hanzhong base national Qinba Chinese Herbal Medicine Trading Centre in Chinlink•Worldport, further demonstrating the site's locational excellence and future potentials.

Financial review

Profitability Analysis

Revenue was HK$201.3 million for the Year, representing a decrease by 20.2% as compared with HK$252.4 million of last year. The revenue comprised property investment income of HK$44.9 million (2015: Nil), interior decoration work income of HK$16.5 million (2015: HK$140.4 million), sales of international trading of HK$113.4 million (2015: HK$72.5 million), financing guarantee services fee of HK$20.2 million (2015: HK$27.0 million), logistics services fee of HK$0.7 million (2015: HK$7.7 million) and other income of HK$5.6 million (2015: HK$4.9 million).

Gross profit amounted to HK$51.3 million for the Year, representing a decrease by 8.1% as compared with HK$55.8 million of last year, mainly due to the decline in interior decoration work business. Despite the decrease in overall revenue and gross profit, the gross profit margin increased by 3.4% to 25.5% for the Year from 22.1% of last year, mainly due to the contribution from property investment income which has higher gross profit margin.

Other income, gains and losses recorded a loss of HK$2.9 million (2015: a profit of HK$10.8 million) for the Year, mainly attributable to the exchange loss.

Gain on fair value change of investment properties amounted to HK$16.6 million (2015: HK$8.8 million) for the Year. It was mainly attributable to fair value change of Chinlink•Worldport and the Property.

Gain on bargain purchase in acquisition of a subsidiary amounted to HK$310.0 million (2015: Nil) in relation to the Acquisition.

Administrative expenses amounted to HK$80.7 million for the Year, representing an increase of HK$15.9 million as compared with HK$64.8 million of last year. The increase was mainly attributable to the Group's expansion and the Acquisition.

Finance costs amounted to HK$119.2 million for the Year, representing an increase of HK$38.2 million as compared with HK$81.0 million of last year. The increase was mainly due to the 12.0% coupon bonds issued during the Year, as part of consideration for the Acquisition and increase in bank and other borrowings.

Profit for the Year was HK$159.1 million (2015: a loss of HK$80.2 million) and profit attributable to owners of the Company during the Year was HK$157.7 million (2015: a loss of HK$80.2 million).

Liquidity and Financial Resources

As at 31 March 2016, the bank balances and cash and pledged bank deposits amounted to HK$284.2 million in total (2015: HK$411.7 million), representing a decrease of HK$127.5 million from that of 31 March 2015. The decrease was mainly due to the repayment of 7.5% Convertible Bonds (as defined below) when matured. They were mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**").

As at 31 March 2016, the Group's loans from staff amounted to HK$11.8 million (2015: Nil) which was denominated in RMB and repayable within one year.

As at 31 March 2016, the bank and other borrowings of the Group amounted to HK$379.7 million (2015: HK$9.4 million), representing an increase of HK$370.3 million from that of 31 March 2015. The increase was mainly due to the inclusion of bank borrowings of Ba Qiao after the completion of the Acquisition. The bank and other borrowings, of which HK$112.5 million, HK$176.3 million and HK$90.9 million were repayable within one year, two to five years and over five years respectively, were mainly denominated in HK$ and RMB.

On 29 June 2015, the Company entered into a placing agreement with a placing agent on the best effort basis in relation to placement of 7.5% coupon bonds (the "**7.5% Coupon Bonds**") with principal amount of up to HK$200.0 million. The 7.5% Coupon Bonds are unsecured, repayable on the day falling on the second anniversary of the issue date and interest bearing at 7.5% per annum, details of which are set out in the announcement made by the Company on 29 June 2015.

The 7.5% Coupon Bonds of HK$200.0 million were fully placed to not less than six independent placees in two tranches, details of which are set out in the announcements of the Company dated 15 July 2015 and 31 August 2015. The net proceeds amounting to approximately HK$184.0 million were used for the repayment of the 7.5% Convertible Bonds of the Group with principal amounts of HK$217.5 million matured on 31 August 2015.

Pursuant to the conditional sale and purchase agreement dated 18 February 2015 (as supplemented) ("**Conditional Sale and Purchase Agreement**") entered into between the Vendor, Esteemed Zone Limited ("**Esteemed Zone**") (a wholly-owned subsidiary of the Company) and the guarantors, in relation to the Acquisition, as part of the total consideration of HK$830.8 million, the Company issued (a) HK$450.0 million of 12.0% unsecured coupon bonds with terms of 4 months from 31 August 2015 (the "**Issue Date**"), HK$32.0 million of which were repaid on 31 December 2015 whereas the maturity date of the remaining coupon bonds amounting to HK$418.0 million was extended to 30 June 2016. On 10 June 2016, the Company early repaid HK$166.0 million to the bondholders and the maturity date of the remaining coupon bonds amounting to HK$252.0 million is further extended; and (b) HK$120.0 million of 12.0% unsecured coupon bonds with terms of 5 years from the Issue Date. The 12.0% unsecured coupon bonds are denominated in HK$ and interest bearing at 12.0% per annum.

As at 31 March 2016, the carrying value of 8.0% coupon bonds which was issued in October 2014 amounted to HK$201.7 million which was repayable within one year, denominated in HK$ and interest bearing at 8.0% per annum.

As at 31 March 2016, the Group recorded net current liabilities of HK$730.3 million (2015: net current assets of HK$92.0 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.35 (2015: 1.19). The change in current ratio was due to the increase in borrowings and the issue of 12.0% coupon bonds, both of which were in relation to the Acquisition as well as the 8.0% coupon bonds becoming current liabilities at the end of current year. The Group will look for alternatives to diversify the fund basis to enhance the financial flexibility and liquidity.

On 10 March 2016, Esteemed Zone entered into a loan facility agreement with Industrial and Commercial Bank of China (Asia) Limited ("**ICBC**"), pursuant to which, subject to the fulfillment of relevant conditions precedent, ICBC agreed to provide a 3-year-term secured loan facility ("**Loan Facility**") with maximum amount up to HK$630.0 million in two tranches. The Loan Facility will be secured by certain storeys of the Commercial Complex. The Loan Facility will be utilized as follows: (1) HK$470.0 million is intended to be used for the repayment of the bonds issued in relation to the Acquisition and for repayment of indebtedness incurred in connection with the release and discharge of certain mortgages of the Commercial Complex; and (2) an amount of HK$160.0 million is intended to be used as general working capital for the development of international trading business under the Group. As at 10 June 2016, the conditions precedent for the first tranche of drawdown amounting to HK$175.0 million were fulfilled and it has been drawn down on the same date.

Capital Structure

During the Year, the authorised share capital of the Company increased from HK$40.0 million divided into 3,200.0 million shares of the Company (the "**Shares**") to HK$62.5 million divided into 5,000.0 million Shares by creation of an additional 1,800.0 million Shares, which rank *pari passu* in all respects with the existing Shares. Increase in authorised share capital was approved by the shareholders of the Company at the special general meeting held on 25 September 2015, details of which were set out in the Company's announcement and circular dated 4 September 2015 and 9 September 2015.

As at 31 March 2016, the issued share capital structure of the Company was constituted of 2,791,676,819 ordinary Shares of HK$0.0125 each (2015: 2,283,666,869 ordinary Shares), representing a substantial increase of 508,009,950 Shares. The increase was mainly attributable to the following events during the Year:

1. An aggregate principal amount of HK$82.5 million out of the total principal amount of HK$300.0 million of 7.5% convertible bonds (the "**7.5% Convertible Bonds**") issued on 30 August 2013 was converted into 110.0 million Shares at the conversion price of HK$0.75 per conversion share. As a result, the carrying amount of the 7.5% Convertible Bonds as at the conversion dates of HK$79.5 million, together with the relevant convertible bonds reserve of HK$12.9 million, were capitalized to the share capital and share premium of the Company. The remaining 7.5% Convertible Bonds amounting to HK$217.5 million were due and fully repaid on 31 August 2015.

2. Pursuant to the Conditional Sale and Purchase Agreement, 398,009,950 consideration shares at the market price of HK$0.58 per consideration share were allotted and issued by the Company at the completion date as part of the total consideration of HK$830.8 million.

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

On 23 December 2015, the Company as issuer, Mr. Li Weibin as guarantor and Huatai Financial Holdings (Hong Kong) Limited ("**Huatai**") as subscriber entered into the subscription agreement ("**Subscription Agreement**") for the proposed issue and subscription of the 10.0% convertible bonds ("**10.0% Convertible Bonds**") in the principal amount of US$10.0 million (equivalent to approximately HK$77.5 million) which are due 18 months from the issue date of 30 December 2015, interest bearing of 10.0% per annum and convertible into Shares at the initial conversion price of HK$0.83 per conversion share. The Company received the net proceeds after expenses amounted to US$9.5 million (equivalent to approximately HK$73.6 million) which were used for general working capital of the Group and for repayment of debt. As at 31 March 2016, the liability component and conversion option derivative portion of the 10.0% Convertible Bonds were valued at HK$66.7 million and HK$7.9 million respectively.

Material Acquisition

Save as the Acquisition disclosed above, there was no material acquisition by the Group during the Year.

Details of the Acquisition were set out in the Company's announcement and circular dated 18 February 2015 and 6 May 2015 respectively.

Gearing Ratio

The Group's gearing ratio as at 31 March 2016 was 0.65 (2015: 0.75) which was calculated based on the Group's total liabilities of HK$2,041.4 million (2015: HK$683.6 million) and the Group's total assets of HK$3,153.2 million (2015: HK$912.0 million).

Foreign Currency Exposure

The Group' s revenue and expenses are mainly denominated in HK$, RMB and United States dollars ("**US$**"). The pledged bank deposit of HK$235.2 million is denominated in RMB and certain bank deposits are dominated in RMB or US$. Other monetary assets and liabilities are mainly denominated in HK$, RMB and US$. During the Year, the exchange rate of RMB to HK$ weakened slightly and MOP to HK$ was stable. Further as US$ is pegged to HK$, the Directors considered that the foreign currency risk of the Group is relatively limited.

Contingent Liabilities and Charge on Assets

Save as disclosed in note 17 on page 20 of this announcement, the Group did not have any significant contingent liabilities.

As at 31 March 2016, the Group placed pledged bank deposits of HK$235.2 million to certain banks as securities in return for the banks to provide loans to the Group's financing guarantee services customers. Besides, the Group pledged its assets with carrying values of HK$3.0 million and HK$1,494.2 million to secure obligations under finance leases and banking facilities, respectively.

Capital Commitments

As at 31 March 2016, the Group had capital commitments contracted but not provided for in respect of the development of Chinlink•Worldport. Details of the commitment are set out in note 16 on page 20 of this announcement.

The Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholders of the Company.

Events after the reporting period

In respect of the Loan Facility granted by ICBC with maximum amount up to HK$630.0 million, details of which are set out in the section headed "Liquidity and Financial Resources" above, the conditions precedent for the first tranche of drawdown amounting to HK$175.0 million were fulfilled and it has been drawn down on 10 June 2016.

On 29 March 2016, the Group has entered into a placing agreement with a placing agent to issue convertible bonds under general mandate with principal amount of approximately HK$300,000,000 in two tranches. The Company re-negotiated the terms with the placing agent and on 16 June 2016, the Company and the placing agent re-entered into an engagement letter to continue the Proposed Placement.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2016 (2015: Nil).

Major Risks

The major risks that may affect the Group's business are outlined below:

Economic Risk

The Group's core business and properties are in Hong Kong and China. In this context, the government policies, political conditions, fiscal and monetary policies of Hong Kong and China have direct or indirect impact on the Group. The Group closely monitors the economic environment, evaluates the situation and takes appropriate actions to mitigate these risks and adjust the Group's strategies if needed.

Credit Risk

The Group mainly confronts with credit risk resulting from trade debtors arising from sale of goods, rendering of services to the customers and the provision of guarantee to the lending banks in favour of the financing guarantee customers in obtaining the loan provided by the lending banks. The Group has a credit policy in place and the credit risk is monitored on an on-going basis. Individual credit assessments are carried out to determine the credit limits and terms which will be reviewed on regular basis.

Liquidity Risk

The Group manages the liquidity risk by closely monitoring its current and expected liquidity requirements and ensures sufficient liquid cash and adequate committed facilities from banks and the controlling shareholder of the Company are available to meet the Group's funding need. In addition, the Group also monitors the compliance with the loan covenants.

Compliance Risk

The Group recognizes the risks of non-compliance with regulatory requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff.

Relationship with employees, customers and suppliers

As at 31 March 2016, the Group employed 36 employees in Hong Kong and 313 employees in China (31 March 2015: 43 employees in Hong Kong and 93 employees in China). The employees are remunerated based on their performance and working experiences, taking into account the prevailing market conditions. Discretionary performance bonus may be given to employees with outstanding performance with reference to the financial performance of the Group. Other employee benefits include mandatory provident fund, medical and training program.

Maintaining good relationships with customers and suppliers is fundamental to the Group's operations and success. The Group is keen to foster a satisfactory and balanced demand and supply and maintains close relations with its customers and suppliers.

Prospects

The Group would continue to derive its competitive advantages from strategic geographical focus and unique positioning. The existing business operations and investments are mainly in Shaanxi Province with a major focus in Xi'an City, the capital of the Province. Under the "Open Up the West" and the "One Belt, One Road" economic development plans, Xi'an City is a designated growth centre to drive the transformation of China's under-developed western region into a national economic pole. Chinlink is expected to be benefited from this transformation process because of its early establishment, its local market knowledge and business network. The Group also enjoys strong support from local government as evidenced by the approval granted by the government of Hanzhong City to set up a custom import bonded warehouse and the Qinba Chinese Herbal Medicine Trading Centre in Chinlink•Worldport.

Another major competitive advantage of Chinlink is its unique positioning in alternative finance service for SMEs through an integrated financing platform, offering financing guarantee, finance leasing, supply chain finance and logistics services. Chinlink's objective is to offer better credit channels for the SMEs who are deprived of traditional bank credit. SMEs have been the backbone of China's economic development. However, they often find difficulties in gaining necessary funding through regular banking channels, due to the small loan size which is not justified with the approval efforts, low credit quality, lack of financial transparency and insufficient collaterals acceptable to banks. Thanks to the Group's unique risk management system in combining supply chain finance and logistics, the Group is able to mitigate these fundamental credit weaknesses and continue to finance these SMEs, even under the current economic downturn.

The Group has earmarked two major growth areas for its finance business, namely supply chain finance and finance leasing. As explained previously, supply chain finance serves to optimize the management of capital and liquidity tie-up in supply chain process for its clients. Financing are short term transaction base and self-liquidating, and the Group's logistics operation would provide visibility into the transaction and control on the underlying goods and inventory. The Group possesses good client resources through partnering with the trade and logistics centres in Xi'an City and the soon to open Chinlink•Worldport in Hanzhong City. These clients are mostly SMEs specialized in wholesale and distribution of building and construction materials who have invested substantial portion of their capitals in stocks and receivables and hence have huge appetite for working capital finance which favours the development of the Group's supply chain finance business. In Hong Kong and Shenzhen City, the Group works closely with the well-established supply chain logistics operators and taps into their customer base mainly in the electronic components business. The Group provides them with procurement and inventory short-term financings in Hong Kong and the logistics operators handle the warehousing, custom clearance and delivery. Shenzhen City is traditionally the biggest hub for imports and distribution of electronic parts and components in China whilst China is the largest exporter of electronic products in the world. There are abundant demands for supply chain finance in this particular market. Hence the Group has strong confidence on the robust growth of the supply chain finance business in the coming years.

The Group's finance lease company will be operational by second half of 2016. Since the approval for the formation of a wholly foreign-owned leasing company was granted by the Shaanxi Provincial Department of Commerce, the Group has spent considerable efforts in building a professional management team and business plan which will initially focus on the industries such as healthcare, infrastructure, public transportation and environmental protection facility, etc., which have a large demand in China. The Group is confident to achieve a sizable leasing portfolio within the first 12 months of operation. As a foreign-owned leasing company, the Group is entitled to a 10 times gearing on paid-up capital and is allowed to raise offshore debts. Given with the huge market potential and the Group's funding advantage, outlook of the finance leasing business is highly encouraging and will be a major contributor to the Group in the years ahead.

The development of the Chinlink•Worldport, the Group's logistics project in Hanzhong City, is under smooth progress. The first phrase will comprise of a large scale commercial area including Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre, Qinba Chinese Herbal Medicine Trading Centre, warehousing and other logistics facilities. Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre with auxiliary business facilities with total commercial area of approximately 147,000 square metres will start operation by the fourth quarter of 2016.

During the Year, the Group entered into a letter of investment intent, an investment into a peer-to-peer (P2P) Internet based investment and leading platform, and a memorandum of understanding, to form a joint-venture with a Hong Kong based duty-free retail operator to engage in cross-border e-commerce business. Both projects are on hold due to changes in market conditions and uncertainty in the outlook. However, the Group will continue to explore new opportunity in relation to Internet finance and e-commerce areas to expand the Group's scope of business.

CORPORATE GOVERNANCE

During the year ended 31 March 2016, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Weibin 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 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.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. Ms. Fung Sau Mui, a non-executive Director, and Ms. Chan Sim Ling, Irene, an independent non-executive Director, were unable to attend the special general meeting of the Company held on 21 May 2015 due to their other business engagements. Mr. Li Weibin, the executive Director, was unable to attend the special general meeting of the Company held on 21 May 2015 due to his other business engagements.

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 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 March 2016.

REVIEW OF FINANCIAL STATEMENTS

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors namely, Ms. Lai Ka Fung, May (Chairman), Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2016 and discussed the risk management and internal control and financial reporting matters.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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 2015/2016 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, 30 June 2016

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 three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.