CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED
普 匯 中 金 國 際 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Chinlink International Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2016 (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 2016

		Six months ended 30 September	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**87,545**	124,384
Cost of sales and services		**(49,577)**	(106,675)
Gross profit		**37,968**	17,709
Other income, gains and losses		**9,751**	1,623
Gain on bargain purchase in acquisition of a subsidiary	*13*	**–**	309,966
Selling and distribution costs		**(3,877)**	(2,412)
Administrative expenses			
– equity-settled share-based payments		**(2,325)**	(3,911)
– other administrative expenses		**(34,348)**	(34,915)
		(36,673)	(38,826)

* *For identification purpose only*

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

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Finance costs	*4*	**(59,820)**	(45,831)
Gain on fair value change of investment properties	*9*	**78,416**	4,939
Profit before taxation	*5*	**25,765**	247,168
Income tax expense	*6*	**(18,727)**	(1,326)
Profit for the period		**7,038**	245,842
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(61,886)**	15,558
Total comprehensive (expense) income for the period		**(54,848)**	261,400
(Loss) profit for the period attributable to:			
Owners of the Company		**(393)**	245,814
Non-controlling interests		**7,431**	28
		7,038	245,842
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(50,166)**	254,302
Non-controlling interests		**(4,682)**	7,098
		(54,848)	261,400
(Loss) earnings per share			
Basic	*7*	**HK(0.01) cents**	HK10.15 cents
Diluted	*7*	**HK(0.01) cents**	HK9.79 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	NOTES	30.9.2016 HK$'000 (unaudited)	31.3.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**23,368**	25,220
Investment properties	9	**2,776,347**	2,647,938
Intangible assets		**2,819**	3,946
Deposit paid for acquisition of investment properties		**31,366**	32,312
Deposit paid for prepaid lease payments for land		**29,043**	29,918
Amounts due from former subsidiaries		**12,744**	11,937
Deposits and prepayments		**566**	577
		2,876,253	2,751,848
Current assets			
Inventories		**1,018**	3,251
Accrued revenue		**747**	3,123
Trade receivables	10	**1,919**	6,433
Trade receivables from related companies	10	**–**	208
Loan receivables	10	**107,775**	77,381
Bills receivables	10	**21,990**	–
Other receivables, deposits and prepayments		**16,450**	20,996
Amounts due from former subsidiaries		**5,793**	5,793
Pledged bank deposits		**245,275**	235,206
Bank balances and cash		**58,771**	48,975
		459,738	401,366
Current liabilities			
Deferred revenue		**2,642**	2,057
Trade payables	11	**11,128**	13,664
Other payables and accruals		**38,337**	32,895
Loans from staff		**8,580**	11,838
Construction cost accruals		**56,897**	206,134
Receipts in advance		**43,109**	31,607
Deposits received from tenants		**16,727**	25,110
Amounts due to related companies		**227,222**	37,817
Amounts due to directors		**241,050**	16,320
Provision for warranty		**222**	219
Financing guarantee contracts		**2,347**	2,418
Tax payable		**7,025**	6,132
Bank and other borrowings		**114,840**	112,454
10.0% convertible bonds		**71,359**	–
Conversions option derivative embedded in convertible bonds		**1**	–
12.0% coupon bonds		**274,755**	430,506
8.0% coupon bonds		**214,254**	201,684
7.5% coupon bonds		**195,128**	–
Obligations under finance leases		**754**	798
		1,526,377	1,131,653

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2016

	NOTES	30.9.2016 HK$'000 (unaudited)	31.3.2016 HK$'000 (audited)
Net current liabilities		**(1,066,639)**	(730,287)
Total assets less current liabilities		**1,809,614**	2,021,561
Non-current liabilities			
10.0% convertible bonds		**–**	66,683
Conversion option derivative embedded in convertible bonds		**–**	7,891
12.0% coupon bonds		**121,184**	128,380
7.5% coupon bonds		**–**	198,546
Deferred tax liabilities		**211,544**	200,917
Receipts in advance		**28,574**	32,169
Bank and other borrowings		**381,057**	267,247
Amounts due to former subsidiaries		**6,872**	6,437
Obligations under finance leases		**1,097**	1,481
		750,328	909,751
		1,059,286	1,111,810
Capital and reserves			
Share capital	*12*	**34,896**	34,896
Reserves		**615,017**	662,859
Equity attributable to owners of the Company		**649,913**	697,755
Non-controlling interests		**409,373**	414,055
		1,059,286	1,111,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that, as of 30 September 2016, the Group's current liabilities exceeded its current assets by approximately HK$1,066,639,000.

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

(1) the availability of the Group's credit facilities. As at September 30, 2016, the unutilised credit facilities are approximately HK$678,000,000 and HK$414,000,000 were drawdown subsequently; and

(2) as disclosed in the announcements of the Company dated 7 September 2016 and 18 November 2016 and the prospectus of the Company dated 31 October 2016, the Company issued 13,958,384,095 rights shares by way of rights issue on the basis of five rights share for every one share held on 28 October 2016 at a subscription price of HK$0.04 per rights share (the "**Rights Issue**"). The gross amount raised from the Rights Issue is approximately HK$558,000,000.

The Directors 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and 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 six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

The application of the amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

- Property investment
- Interior decoration work
- International trading
- Financing guarantee services
- Logistics services

During the six months ended 30 September 2015, the Group acquired E-Innovation Limited ("**E-Innovation**") which is principally engaged in property investment - property leasing and property management business. Since then, the executive directors of the Company, being the chief operating decision maker ("**CODM**"), review 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.

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

	Six months ended 30.9.2016		Six months ended 30.9.2015	
	Segment revenue HK$'000 (unaudited)	**Segment profit (loss) for the period HK$'000 (unaudited)**	Segment revenue HK$'000 (unaudited)	Segment profit (loss) for the period HK$'000 (unaudited)
Property investment	**37,292**	**47,188**	6,446	312,914
Interior decoration work	**1,611**	**(3,726)**	10,828	(4,182)
International trading	**33,835**	**(2,524)**	93,158	(4,670)
Financing guarantee services	**8,311**	**5,980**	11,510	7,911
Logistics services	**486**	**(1,541)**	309	(2,058)
Revenue and result for reportable segment	**81,535**	**45,377**	122,251	309,915
Unallocated revenue	**6,010**		2,133	
Total	**87,545**		124,384	
Unallocated other income, gains and losses		**7,864**		3,756
Equity-settled share-based payments		**(1,656)**		(2,804)
Finance costs		**(59,820)**		(45,831)
Unallocated gain on fair value change of investment properties		**47,707**		4,939
Gain on fair value change of the derivative components of convertible bonds		**7,896**		–
Unallocated corporate expenses		**(21,603)**		(22,807)
Profit before taxation		**25,765**		247,168

Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central general and administration costs, equity-settled share-based payments in relation to central administrative staff, other income, gains and losses (except for reversal of bad and doubtful debts, net and financing guarantee contracts recognised), Directors' emoluments, gain on fair value change of investment properties (except for gain on fair value change of certain investment properties) and finance costs. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30.9.2016 HK$'000 (unaudited)	30.9.2015 HK$'000 (unaudited)
Interest on:		
Bank and other borrowings	**18,806**	3,067
Effective interest expense on 7.5% convertible bonds	**–**	23,613
Effective interest expense on 10.0% convertible bonds	**8,619**	–
Effective interest expense on 8.0% coupon bonds	**12,570**	12,082
Effective interest expense on 7.5% coupon bonds	**11,634**	3,371
Effective interest expense on 12.0% coupon bonds	**26,279**	5,618
Obligations under finance leases	**79**	120
Total finance costs	**77,987**	47,871
Less: Amount capitalised in investment properties under construction	**(18,167)**	(2,040)
	59,820	45,831

Finance costs capitalised during the six months ended 30 September 2016 arose on the general borrowings of approximately HK$18,167,000 are calculated by applying capitalisation rate of 12.22% per annum (six months ended 30 September 2015: nil). Finance costs capitalised during the six months ended 30 September 2015 arose on the specific borrowing is approximately HK$2,040,000.

5. PROFIT BEFORE TAXATION

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

	Six months ended 30.9.2016 HK$'000 (unaudited)	30.9.2015 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**1,660**	1,413
Equity-settled share-based payments *(Note)*	**2,325**	3,911
Reversal of bad and doubtful debts, net	**–**	(210)
Interest income	**(2,220)**	(4,765)
Imputed interest income on amounts due from former subsidiaries	**(435)**	(1,086)

Note: Amount included equity-settled share-based payments to consultants of HK$640,000 (six months ended 30 September 2015: HK$1,091,000) 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.

6. INCOME TAX EXPENSE

	Six months ended 30.9.2016 HK$'000 (unaudited)	30.9.2015 HK$'000 (unaudited)
Current tax expense:		
Hong Kong	**(6)**	(8)
People's Republic of China ("**PRC**" or "**China**")	**(1,985)**	(1,964)
Macau	**–**	–
	(1,991)	(1,972)
Deferred tax – (charged) credited in current period	**(16,736)**	646
Income tax expense	**(18,727)**	(1,326)

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 Tang Rong and Ba Qiao (as defined in note 13), the subsidiaries acquired during the six months ended 30 September 2015, as Tang Rong and Ba Qiao are 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.

Tax from other jurisdictions are calculated at the rates prevailing in Hong Kong and Macau. The Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both periods. During the six months ended 30 September 2016, provision for Hong Kong Profits Tax of approximately HK$6,000 has been provided (six months ended 30 September 2015: HK$8,000). No provision for Macau Complementary Tax has been made (six months ended 30 September 2015: nil) since the Company and its subsidiaries operating in Macau have no assessable profit generated or suffered from tax losses.

7. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	Six months ended 30.9.2016 HK$'000 (unaudited)	30.9.2015 HK$'000 (unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(393)**	245,814
Effect of dilutive potential ordinary shares:		
Interest on 7.5% convertible bonds (Net of tax) *(Note)*	**–**	19,717
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(393)**	265,531

7. (LOSS) EARNINGS PER SHARE (Continued)

Number of shares

	Six months ended	
	30.9.2016	30.9.2015
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,791,677**	2,421,658
Effect of dilutive potential ordinary shares:		
Convertible bonds *(Note)*	**–**	277,541
Share options *(Note)*	**–**	11,806
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,791,677**	2,711,005

Note: During the six months ended 30 September 2016, the computation of diluted loss per share does not assume the conversion of the outstanding 10.0% convertible bonds and share options as their exercise would result in a decrease in loss per share.

8. DIVIDENDS

No dividend was paid, declared or proposed during the current and prior interim periods. The Directors have determined that no dividend will be paid in respect of the interim period.

9. INVESTMENT PROPERTIES

	HK$'000
Completed properties held for rental purpose:	
At 31 March 2016 (audited)	2,078,668
Exchange realignment	(61,003)
Net changes in fair value recognised in profit or loss	23,442
At 30 September 2016 (unaudited)	2,041,107
Leasehold land with undetermined future use:	
At 31 March 2016 (audited)	209,064
Exchange realignment	(6,262)
Net changes in fair value recognised in profit or loss	16,644
At 30 September 2016 (unaudited)	219,446
Sub-total	2,260,553
Investment properties under construction:	
At 31 March 2016 (audited)	360,206
Exchange realignment	(12,022)
Additions	129,280
Net change in fair value recognised in profit or loss	38,330
At 30 September 2016 (unaudited)	515,794
Total	2,776,347
Unrealised gain on properties revaluation included in profit or loss for the interim period	78,416

9. INVESTMENT PROPERTIES (Continued)

As at 30 September 2016, the fair values of the Phase 2 of the Commercial Complex and the Commercial Complex (as defined in note 13) in Xi'an City determined by Ascent Partners Valuation Service Limited ("**Ascent Partners**") are approximately RMB121,900,000 and RMB1,757,000,000 respectively, equivalent to HK$141,611,000 and HK$2,041,107,000 respectively (31 March 2016: RMB115,700,000 and RMB1,737,000,000 respectively, equivalent to HK$138,458,000 and HK$2,078,668,000 respectively).

As at 30 September 2016 and 31 March 2016, the fair value of the investment properties under construction of the logistics park located at Hantai district, Hanzhong City, Shaanxi Province, the PRC (the "**Chinlink•Worldport**") and the remaining undeveloped leasehold land portion of the Chinlink•Worldport (the "**Hanzhong Land**") were arrived at on the basis of a valuation carried out by Colliers International (Hong Kong) Ltd ("**Colliers**"). As at 30 September 2016, the fair value of the Chinlink•Worldport and the Hanzhong Land are approximately RMB440,000,000 and RMB67,000,000 respectively, equivalent to HK$515,794,000 and HK$77,835,000 respectively (31 March 2016: RMB301,000,000 and RMB59,000,000 respectively, equivalent to HK$360,206,000 and HK$70,606,000 respectively).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Ascent Partners and Colliers are independent qualified professional valuers not connected with the Group and have appropriate qualification and recent experience in the valuation of similar projects in relevant locations.

10. TRADE RECEIVABLES, LOAN RECEIVABLES AND BILLS RECEIVABLES

Trade receivables

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:

	30.9.2016 ***HK$'000*** **(unaudited)**	31.3.2016 *HK$'000* (audited)
0 – 30 days	**1,445**	2,519
31 – 90 days	**280**	3,607
> 90 days	**194**	307
	1,919	6,433

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.

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

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. As at 30 September 2016, among the trade receivables, balances of HK$167,000 (31 March 2016: HK$2,792,000) are related to financing guarantee services, which was aged within 30 days (31 March 2016: HK$620,000 was aged within 30 days and HK$2,172,000 was aged within 31-90 days).

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

10. TRADE RECEIVABLES, LOAN RECEIVABLES AND BILLS RECEIVABLES (Continued)

Loan receivables

Loan receivables of HK$107,775,000 (31 March 2016: HK$77,381,000) represent the outstanding loan principals and accrued interest from independent third parties which are unsecured and carry interest at Hong Kong Prime Interest Rate plus 4.0% per annum or fixed rates of 12.0% or 18.0% per annum (31 March 2016: Hong Kong Prime Interest Rate plus 4.0% per annum or fixed rates of 12.0% per annum). The weighted average effective interest rate of the loan receivables is 14.16% (31 March 2016: 10.48%) per annum. Balances as at both 30 September 2016 and 31 March 2016 are repayable within six months from the loan advance date.

Bills receivables

As at 30 September 2016, bills receivables of HK$21,990,000 (31 March 2016: nil) are aged within 90 days from respective invoice dates. The entire balance of the bills receivables was discounted bills with recourse, their corresponding financial liabilities were included in bank borrowings.

11. TRADE PAYABLES

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

	30.9.2016 ***HK$'000*** **(unaudited)**	31.3.2016 *HK$'000* (audited)
0 – 30 days	**254**	2,582
31 – 90 days	**–**	40
> 90 days	**10,874**	11,042
	11,128	13,664

12. SHARE CAPITAL

	Number of shares	**Nominal value** *HK$'000* (unaudited)
Ordinary shares:		
Authorised		
At 1 April 2015 of HK$0.0125 each	3,200,000,000	40,000
Increase in authorised share capital	1,800,000,000	22,500
At 30 September 2015, 31 March 2016, 1 April 2016 and 30 September 2016 of HK$0.0125 each	5,000,000,000	62,500
Issued and fully paid		
At 1 April 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 a subsidiary *(Note ii)*	398,009,950	4,975
At 30 September 2015, 31 March 2016, 1 April 2016 and 30 September 2016 of HK$0.0125 each	2,791,676,819	34,896

12. SHARE CAPITAL (Continued)

Note i: During the six months ended 30 September 2015, 110,000,000 ordinary shares of the Company, with aggregate par value of approximately HK$1,375,000, were issued upon the partial conversion of 7.5% convertible bonds.

Note ii: During the six months ended 30 September 2015, 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 13.

Save as disclosed above, there was no other movement in the Company's share capital for both periods.

13. 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 (the "**Commercial Complex**") while certain portion of the Land is currently vacant with undetermined use (the "**Phase 2 of 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 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 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.

* *For identification purpose only*

13. 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 six months ended 30 September 2015, within the "other administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

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

	HK$'000
Interest in an associate	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	(194,248)
Less: non-controlling interests	(413,956)
Gain on bargain purchase	(309,966)
Total consideration transferred	451,493

13. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash inflow on acquisition of E-Innovation

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

14. PLEDGE OF ASSETS

At 30 September 2016, leasehold land and building and certain investment properties with carrying value and fair value of approximately HK$15,981,000 (31 March 2016: HK$16,285,000) and HK$2,634,736,000 (31 March 2016: HK$1,477,925,000) respectively were pledged with banks to secure the bank and other borrowings granted to the Group.

At 30 September 2016, the motor vehicles with carrying value of approximately HK$2,455,000 (31 March 2016: HK$2,969,000) are assets hold under finance leases.

15. CONTINGENT LIABILITIES

	30.9.2016	31.3.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantee given to banks in respect of financing guarantee services provided to:		
– Independent third parties	**355,480**	303,603
– Related parties	**27,881**	25,131
	383,361	328,734

As at 30 September 2016, excluding the financing guarantee contracts of approximately HK$2,347,000 (31 March 2016: HK$2,418,000), the net outstanding guarantee given to banks in respect of financing guarantee services provided amounting to approximately HK$381,014,000 (31 March 2016: HK$326,316,000).

16. CAPITAL COMMITMENTS

	30.9.2016	31.3.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements		
– construction in connection with the investment properties	**133,543**	240,014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group has made significant strides forward in the Group's journey of transformation to become a comprehensive financing solutions provider for the small and medium-sized enterprise(s) ("**SME(s)**") in the PRC through a platform comprises supply chain financing and multiple licensed alternative financial services.

China's SMEs are the major pillar of China's ongoing economic development and play a critical role in supporting China's continuing output and employment growth. According to National Bureau of Statistics of China and Asian Development Bank's Asia SME Finance Monitors 2014, China's SMEs contribute about 60.0% of total gross domestic product and 50.0% of fiscal and tax revenue, constitute over 97.0% of industrial enterprises, employ well over 70.0% of the total industrial workforce, and account for over 40.0% of total industrial exports. Continuing growth of the SMEs is bolstered by rising disposable income, increasing need for improved market efficiency, and key strategic policies such as the "One Belt, One Road" initiative.

However, China's SMEs continue to face challenges in obtaining financing to support their business operations and to capture growth opportunities. Traditionally, SMEs have found it difficult to obtain bank financing due to the inadequate credit reference system in China as well as the inability of SME borrowers to provide standard types of collateral. Recently, the economic slowdown in China has led to even tighter credit conditions for SMEs.

Recognising the great funding need of SMEs as they navigate through challenging financial and economic conditions, the Group offers a comprehensive and integrated package of financing solutions, including financing guarantee, supply chain finance, and the soon-to-be-launched finance lease services, to the underserved market.

The Group's financing guarantee services provide an important support for China's SMEs in obtaining bank financing. The Group offers financing guarantee services supported by its "inventory-as-collateral" risk management system, which is supported by one of the Group's other business i.e. logistics services; the SME clients pledge their inventory to the Group as collateral in exchange for guarantee letters issued by the Group, the SMEs can then use the guarantee letter to obtain bank loans. The Group mitigates credit risk by imposing a conservative loan-to-value requirement and by focusing on building and construction supplies and furniture sectors where the Group has solid experience and familiarity in credit assessment. As a core credit mitigation measure for its clients in Shaanxi Province, the Group takes physical custody of pledged customer inventory by providing comprehensive logistics services such as warehousing, inventory management, transportation and delivery. Although logistics services business is not a major contributor to the Group's revenue, such business is a key part of the Group's risk management platform. The system has proven to be a great success with the business recorded a zero default rate since its inception, underscoring the Group's competitive edge in credit risk management. Additionally, logistics services business gives the Group valuable insight into SMEs' day-to-day operations, thus potentially generating upselling or cross-selling opportunities. The Group has been able to take great advantage of its excellent credit track record to develop solid long-term relationships with major banks, making it well-equipped to grow the business strongly once market conditions start to recover.

As the Group is going through its transformation into a financial services provider, the Group further extended to a range of supply chain finance services, including procurement, inventory and receivable financing services in Hong Kong and Xi'an City in 2015. These services were well-received by the Group's SME customers as they provided critical support for the SMEs' efforts to raise working capital. The Group has extended its industry coverage to electronic components and white goods sectors and would explore other potentials industries in the future.

The Group is also gradually streamlining by reallocating resources away from the interior decoration work business, where the Group sees limited opportunities for new, large-scale projects, towards the higher potential businesses such as financing services and property investment.

The Group's property investment business is currently based at the Commercial Complex, namely Daminggong Construction Materials and Furniture Shopping Center (Dongsanhuan Branch)*, which was acquired by the Group together with a parcel of land (with the Commercial Complex, collectively the "**Property**") with undeveloped construction area of about 119,000 square meters, through the acquisition of 100.0% equity interests in E-Innovation in 2015 (the "**Acquisition**"). The Commercial Complex is a nine-floor (seven above-grade and two basements) shopping center, situated at a prime location in Xi'an City. Because of the superb location, the Commercial Complex enjoys an occupancy rate of about 90.0%, and is able to be selective in accepting superior quality tenants such as prime names and anchor-grade tenants. The steady cashflow from rental income and management fees provides strong support for the Group. Additionally, the tenants are a captive pool of potential customers for the Group to look for cross-selling opportunities with its financing services business.

The Group aims to duplicate the great success of the Commercial Complex in Xi'an City at the Chinlink•Worldport in Hanzhong City, just southwest of Xi'an City. Chinlink•Worldport has a prime, strategic location at the nexus of three major logistics regions – Central (Wuhan-Zhengzhou), Northwest (Xi'an-Lanzhou-Urumqi), and Southwest (Chongqing-Chengdu-Nanning) – and three major economic zones – Jianghan Economic Zone, Chengdu-Chongqing Economic Zone, and Guanzhong-Tianshui Economic Zone. Phase One of the Chinlink•Worldport consists of Daminggong (Hanzhong) Building and Construction Materials Wholesale Center (the "**DMG (Hanzhong) Center**"), warehousing and distribution center, Qinba Chinese Herbal Medicine Trading Center (under a letter of intent with Hantai District People's Government of Hanzhong Municipality, Shaanxi Province, China), custom import bonded warehouse, Hanzhong interchange station and other facilities. The DMG (Hanzhong) Center comprises four floors with a gross floor area of more than 147,000 square meters for commercial usage, emulating the Commercial Complex, and is targeted to be launched in early 2017.

After enjoying a solid start to its strategic transformation, the Group is raising capital to support future business development while minimising its financing costs. The Group initiated the Rights Issue during the Period for gross proceeds of HK$558.3 million to pay down a number of outstanding debts with relatively high coupon rates. For details, please refer to the section headed "Rights Issue" below.

* *For identification purpose only*

Financing Guarantee Services

For the Period, the Group generated HK$8.3 million of revenue from financing guarantee services, reflecting a decline of 27.8% from HK$11.5 million in the corresponding period last year (the "**Previous Period**"). The decline was mainly attributable to the tightening of bank credit lines to the Group's prospective clients, mostly China's 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 decline of interest rate in the PRC comparing with the Previous Period. However, gross profit margin maintained at a high level which ranging from 94.5% in the Previous Period to 96.2% in the Period.

International Trading

For the Period, the Group generated HK$33.8 million of revenue from international trading, reflecting a decline of 63.7% from HK$93.2 million in the Previous Period. The decline was mainly due to the delay in availability of the second tranche of Loan Facility (as defined below) resulting from the unexpected time-consuming procedures of the PRC Government Authority to fulfill the condition precedents for the drawdown of the Loan Facility. However, gross profit margin grew to 1.9%, up 1.5% from 0.4% in the Previous Period as a result of increased sales mix ratio from higher-margin white goods trading in the PRC.

Logistics Services

For the Period, the Group generated HK$0.5 million of revenue from logistics services, reflecting a 66.7% increase from HK$0.3 million in the Previous Period. The increase in revenue was due to newly launched distribution services and increased in customer usage for "inventory-as-collateral" service during the Period.

Interior Decoration Work

For the Period, the Group generated HK$1.6 million of revenue from interior decoration work, reflecting a 85.2% decline from HK$10.8 million in the Previous Period. The decrease was mainly due to the strategic repositioning of the Group by putting more emphasis and resources on developing finance businesses and in property investment. The Group carried out a few small scaled projects with better margin and gross profit margin improved to 22.6% in the Period from 16.2% in the Previous Period.

Property Investment

For the Period, the Group generated HK$37.3 million of revenue from property investment, reflecting an increase of 473.8% from HK$6.5 million in the Previous Period. The significant increase was mainly attributable to the Commercial Complex which contributed six months' revenue during the Period whereas only one month revenue was recognised in the Previous Period. Gross profit margin maintained at a high level which ranging from 65.0% in the Period to 67.3% in the Previous Period.

FINANCIAL REVIEW

Profitability Analysis

For the Period, the Group's unaudited consolidated revenue was HK$87.5 million, reflecting a decline of 29.7% from HK$124.4 million in the Previous Period. The decline was mainly attributable to a drop in the contributions from international trading and interior decoration work businesses but was partly offset by the increased contribution from property investment business.

Gross profit for the Period increased significantly to HK$38.0 million, up 114.7% from HK$17.7 million in the Previous Period, while gross profit margin also improved sharply to 43.4% from 14.2% in the Previous Period as a result of increased contribution from the high-margin property investment business. Revenue from property investment business represented 42.6% of the Group's revenue during the Period (Previous Period: 5.2% only).

Other income, gains and losses recorded a gain of HK$9.8 million (Previous Period: HK$1.6 million) for the Period, mainly attributable to gain on fair value change of derivative components of convertible bonds.

Gain on fair value change of investment properties amounted to HK$78.4 million (Previous Period: HK$4.9 million) for the Period. It was mainly attributable to fair value change of Chinlink•Worldport and the Property.

Administrative expenses amounted to HK$36.7 million for the Period, representing a slightly decrease of HK$2.1 million as compared with HK$38.8 million of the Previous Period.

Finance costs amounted to HK$59.8 million for the Period, representing an increase of HK$14.0 million as compared with HK$45.8 million of the Previous Period. The increase was mainly due to interest of the Short-Term 12.0% Coupon Bonds and the Long-Term 12.0% Coupon Bonds (as defined below) and increase in bank and other borrowings.

Despite the increase in gross profit and the gain on fair value change of investment properties and derivative components of convertible bonds as mentioned above, the Group's profit for the Period still dropped to HK$7.0 million as compared to HK$245.8 million for the Previous Period, which was mainly due to the one-off gain on bargain purchase from the Acquisition of HK$310.0 million being recognised in the Previous Period and the increase in finance costs during the Period.

Liquidity and Financial Resources

As at 30 September 2016, the bank balances and cash and pledged bank deposits amounted to HK$304.0 million in total (31 March 2016: HK$284.2 million), representing an increase of HK$19.8 million from that of 31 March 2016. The increase was mainly due to the loan from a related company.

As at 30 September 2016, the bank and other borrowings of the Group amounted to HK$495.9 million (31 March 2016: HK$379.7 million), representing an increase of HK$116.2 million from that of 31 March 2016. The increase was mainly due to the drawdown of (1) first tranche of the Loan Facility amounted to HK$175.0 million on 10 June 2016; (2) bank loan of RMB150.0 million from Bank of Xi'an for the construction of Chinlink•Worldport; and (3) discounted bills of HK$22.0 million for international trading business but partially offset by the repayment of bank loan of HK$260.8 million during the Period. The bank and other borrowings, of which HK$114.8 million and HK$381.1 million were repayable within one year and two to five years respectively, were mainly denominated in HK$ and RMB.

Pursuant to the conditional sale and purchase agreement dated 18 February 2015 (as supplemented) 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 ("**Short-Term 12.0% Coupon Bonds**") of which HK$198.0 million was repaid before 30 September 2016 and as supplemented, the maturity date of the remaining portion was extended to 30 November 2016; and (b) HK$120.0 million of 12.0% unsecured coupon bonds with terms of 5 years from the issue date (i.e. 31 August 2015) ("**Long-Term 12.0% Coupon Bonds**"). Both the Short-Term 12.0% Coupon Bonds and the Long-Term 12.0% Coupon Bonds were denominated in HK$ and interest bearing at 12.0% per annum respectively and have been fully repaid subsequently.

As at 30 September 2016, the carrying value of 7.5% coupon bonds (issued in two tranches in July and August 2015) and 8.0% coupon bonds (issued in October 2014) amounted to HK$195.1 million (31 March 2016: 198.5 million) and HK$214.3 million (31 March 2016: HK$201.7 million) respectively which were repayable within one year, denominated in HK$ and interest bearing at 7.5% and 8.0% per annum, respectively.

As at 30 September 2016, the Group recorded net current liabilities of HK$1,066.6 million (31 March 2016: HK$730.3 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.30 (31 March 2016: 0.35). The change in current ratio was mainly attributable to the increase in amounts due to a director and a related company for refinancing of a non-current bank loan with high interest rate as well as the 10.0% convertible bonds and 7.5% coupon bonds becoming current liabilities at the end of the Period. To improve the liquidity position of the Group, the Group had conducted the Rights Issue. For details, please refer to the section headed "Rights Issue" below.

On 10 March 2016, Esteemed Zone Limited entered into a loan facility agreement with Industrial and Commercial Bank of China (Asia) Limited ("**ICBC**"), pursuant to which, 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 was secured by certain floors of the Commercial Complex. As at 30 September 2016, the first tranche of the Loan Facility amounted to HK$175.0 million was drawn down and utilised for partial repayment of Short-Term 12.0% Coupon Bonds. The second tranche of the Loan Facility was available in October 2016 and at the date of this announcement, it was used as intended as to (i) approximately HK$210.0 million for repayment of Short-Term 12.0% Coupon Bonds; (ii) HK$90.0 million for repayment of the bridging loan for refinancing a loan from a PRC bank; (iii) HK$120.0 million for international trading business; and (iv) HK$8.0 million was used as the direct costs for obtaining the Loan Facility. The remaining balance of HK$27.0 million will be used as intended.

On 29 March 2016, the Group entered into a placing agreement with a placing agent to issue convertible bonds under general mandate with principal amount of approximately HK$300.0 million in two tranches. The placing agreement (as supplemented) lapsed on 22 April 2016. Details of which were set out in the announcements of the Company dated 29 March 2016, 8 April 2016 and 22 April 2016. On 16 June 2016, the Company and the placing agent entered into an engagement letter to continue the proposed placement. As at the date of this announcement, the transaction has not yet been materialised.

Capital Structure

There was no change of the authorised share capital and issued share capital of the Company during the Period.

Authorised Share Capital

During the Period, the Board proposed to increase the authorised share capital of the Company from HK$62.5 million divided into 5,000.0 million shares of the Company (the "**Shares**") to HK$250.0 million divided into 20,000.0 million Shares by the creation of an additional 15,000.0 million Shares (the "**Authorised Share Capital Increase**"), which shall rank *pari passu* in all respects with the existing Shares. The Authorised Share Capital Increase was approved by the shareholders of the Company at the special general meeting held on 19 October 2016.

Details of the Authorised Share Capital Increase are set out in the announcements of the Company dated 7 September 2016 and 19 October 2016 respectively and the circular of the Company dated 3 October 2016.

Rights Issue

On 7 September 2016, the Company announced its proposal to raise funds by way of the Rights Issue of five rights shares for every one Share held by the qualifying shareholders at the subscription price of HK$0.04 per rights share which is subject to the Authorised Share Capital Increase becoming effective. It was considered that (i) the Rights Issue would decrease the total debts of the Group and hence lower finance costs; (ii) the Rights Issue would streamline the assets liabilities allocation of the Company which in turn facilitates the organic growth of its existing business; and (iii) up to the date of the announcement on 7 September 2016, the financial proposals offered by certain financial institutions ranged from only HK$200.0 million to HK$300.0 million which were relatively small comparing to the scale of funding of the Rights Issue. The subscription price of HK$0.04 per rights share represented (i) a discount of approximately 76.19% to the closing price of HK$0.168 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 September 2016; (ii) a discount of approximately 34.43% to the theoretical ex-rights price of approximately HK$0.061 per Share based on the closing price of HK$0.168 per Share as quoted on the Stock Exchange on 7 September 2016; (iii) a discount of approximately 75.61% to the average closing price of approximately HK$0.164 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 7 September 2016; (iv) a discount of 66.10% to the closing price of HK$0.118 per Share as quoted on the Stock Exchange on 30 September 2016, being the latest practicable date of the circular of the Rights Issue dated 3 October 2016; and (v) a discount of 37.50% to the closing price of HK$0.064 per Share as quoted on the Stock Exchange on 27 October 2016, being the latest practicable date of the prospectus of the Rights Issue dated 31 October 2016.

The Rights Issue was fully-underwritten by Emperor Securities Limited (the "**Underwriter**") pursuant to the underwriting agreement dated 7 September 2016 (as supplemented on 30 September 2016) entered into by and between the Underwriter, the Company, Mr. Li Weibin and Wealth Keeper International Limited and was completed on 18 November 2016 with a total of 13,958,384,095 new Shares with an aggregate nominal value of approximately HK$174.5 million issued on the same date, on the basis of 2,791,676,819 Shares in issue on 28 October 2016, being the record date of the Rights Issue. The net proceeds from the Rights Issue amounted to approximately HK$549.7 million. The Board intended to apply the net proceeds in the repayment of (i) as to approximately HK$68.0 million, the principal and interest of the Short-Term 12.0% Coupon Bonds; (ii) as to approximately HK$367.0 million, the bridging loan from Mr. Li Weibin (and the debts incurred for re-financing the principal and interest of the 8.0% coupon bonds (if any)); and (iii) as to the remaining balance, part or full of the principal and/or interest of the Long-Term 12.0% Coupon Bonds, the 7.5% coupon bonds and/or the convertible bonds, within the coming twelve months upon the completion of the Rights Issue. The net price per rights share after deducting the related expenses of the Rights Issue was approximately HK$0.039. The Rights Issue was approved by the shareholders of the Company at the special general meeting held on 19 October 2016.

Details of the Rights Issue are set out in the announcements of the Company dated 7 September 2016, 20 September 2016, 26 September 2016, 30 September 2016, 19 October 2016, 21 October 2016 and 18 November 2016 respectively, the circular of the Company dated 3 October 2016 and the prospectus of the Company dated 31 October 2016.

As at the date of this announcement, the net proceeds from the Rights Issue were used as intended as to (i) approximately HK$67.4 million for the principal and interest of the Short-Term 12.0% Coupon Bonds; (ii) approximately HK$305.5 million for the bridging loan from Mr. Li Weibin and the debts incurred for refinancing the principal and interest of the 8.0% coupon bonds; (iii) approximately HK$115.0 million for the Long-Term 12.0% Coupon Bonds. The total remaining balance of approximately HK$61.8 million remains in the bank for intended use.

Material Acquisition

There was no material acquisition by the Group during the Period.

Gearing Ratio

The Group's gearing ratio as at 30 September 2016 was 0.68 (31 March 2016: 0.65) which was calculated based on the Group's total liabilities of HK$2,276.7 million (31 March 2016: HK$2,041.4 million) and the Group's total assets of HK$3,336.0 million (31 March 2016: HK$3,153.2 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$245.3 million is denominated in RMB and the bank deposits are dominated in HK$, RMB, Macau Pataca ("**MOP**") or US$. Other monetary assets and liabilities are mainly denominated in HK$, RMB and US$. During the Period, the exchange rate of RMB to HK$ 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 15 to the condensed consolidated financial statements, the Group did not have any significant contingent liabilities.

As at 30 September 2016, the Group placed pledged bank deposits of HK$245.3 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 certain assets to secure obligations under finance leases and banking facilities. For details, please refer to note 14 to the condensed consolidated financial statements.

Capital Commitments

As at 30 September 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 to the condensed consolidated financial statements. 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

Save as disclosed in the sections headed "Authorised Share Capital" and "Rights Issue" above, the Group has no significant events after the reporting period.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the Period (Previous Period: Nil).

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 30 September 2016, the Group employed 36 employees in Hong Kong and 316 employees in China (31 March 2016: 36 employees in Hong Kong and 313 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 has a strong competitive position by being a true, one-stop shop, comprehensive financing solutions provider. The Group established a finance lease company to provide finance lease services across China, targeting the healthcare, infrastructure, public transport and environmental facilities sectors, with operations expected to commence in early 2017. Leasing services combine synergistically with the existing financing guarantee and supply chain finance businesses to form a comprehensive, integrated, and highly accessible financing platform to meet the diverse funding needs of China's SMEs. By continuing to refine existing businesses and launching new businesses having strong synergy with existing offerings, the Group demonstrates its successful strategy of meaningful vertical and horizontal integration to achieve win-win deals.

The Group is greatly optimistic about the prospects for Chinlink•Worldport. The Group plans to firstly launch the DMG (Hanzhong) Center of Phase One of the Chinlink•Worldport in early 2017. Situated at the nexus of three major logistics regions and three major economic zones, Chinlink•Worldport is expected to become a significant regional trade and logistics hub and thus provide support for the Group's expansion in financial services with strong cash flow generated from rental income and management fees, as well as a significant business opportunities generated from the captive tenant base. By offering financing, logistics, and business operations services under a single roof, Chinlink•Worldport embodies the Group's unique business model of offering financing, logistics, and operations support services under a self-established ecosystem. The Group looks forward to expanding its footprint at Chinlink•Worldport and rolling out the successful business model at other strategic locations, with a view to further boosting the Group's asset value and enhancing its income base.

The Group enjoys a geographical advantage which greatly enhances its ability to capture future business opportunities arising from favorable national policies and market trends. Most of the Group's businesses are focused on Xi'an City, today, the capital city of Shaanxi Province and, formerly, one of China's great ancient capital cities. Xi'an City is a designated growth center under two flagship national development strategies, both the "One Belt, One Road" initiative and the "Open Up the West" strategy. Xi'an City is the starting point of the Silk Road and a major international tourist destination with top-tier transportation infrastructure including one of China's major airports, western China's largest railway hub, and China's largest inland port operation. Domestically, Xi'an City bridges the resource-rich East and the under-developed West, while externally, it plays a critical role in regional trade, as exemplified by the Chinese government's establishment in 2016 of the China (Shaanxi) Pilot Free Trade Zone in Shaanxi Province, comprising a Xi'an area covering about 84 square kilometers. It is expected Xi'an City will become a regional financial center and a trade/logistics hub in the near future.

With lower gearing and interest expense after the completion of the Rights Issue, the Group now enjoys significantly enhanced financial flexibility and is in a stronger position to develop and grow the high-demand supply chain finance, finance lease and property investment businesses.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company had applied the principles of, and complied with, the applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to 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 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 officer under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to 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 Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee has three members comprising, namely, Ms. Lai Ka Fung, May (Chairman), Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene. All of them are independent non-executive Directors and none of them are members of the former or existing auditors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the risk management and internal control systems and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results for the Period.

The Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, have been engaged to review the condensed consolidated financial statements. Based on 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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, suppliers 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
Li Weibin
Chairman

Hong Kong, 30 November 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.