国联通信
Global Link

國聯通信控股有限公司
Global Link Communications Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8060)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.glink.hk.

HIGHLIGHTS

- Turnover of the Group for the year ended 31 March 2013 was approximately HK$121,120,000, representing an increase of approximately 53%, as compared with that for the year ended 31 March 2012.

- Profit attributable to equity shareholders of the Company was approximately HK$19,267,000 for the year ended 31 March 2013, representing an increase of approximately 44%, as compared with that for the year ended 31 March 2012.

- The board of the Directors does not recommend the payment of final dividend for the year ended 31 March 2013.

The board of directors (the "Directors") of Global Link Communications Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 together with the audited comparative figures for the year ended 31 March 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**121,120**	79,357
Cost of sales		**(82,796)**	(55,096)
Gross profit		**38,324**	24,261
Other revenue and net income	5	**5,664**	7,667
Selling expenses		**(8,697)**	(8,143)
Administrative expenses		**(11,707)**	(12,058)
Finance costs	6(a)	**–**	(315)
Profit before taxation	6	**23,584**	11,412
Income tax	8	**(3,189)**	1,353
Profit for the year		**20,395**	12,765
Other comprehensive income:			
Exchange differences on translating foreign operations		**1,647**	3,411
Total comprehensive income for the year		**22,042**	16,176
Profit attributable to:			
Equity shareholders of the Company		**19,267**	13,373
Non-controlling interests		**1,128**	(608)
		20,395	12,765
Total comprehensive income attributable to:			
Equity shareholders of the Company		**20,904**	16,796
Non-controlling interests		**1,138**	(620)
		22,042	16,176
Earnings per share (in HK cents):			
– Basic	10	**2.01 cents**	1.40 cents
– Diluted	10	**2.00 cents**	1.39 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**1,941**	2,893
Intangible asset		**3,061**	–
Pledged bank deposit		**808**	–
Deferred tax assets		**3,516**	4,998
		9,326	7,891
Current assets			
Inventories		**24,269**	5,959
Trade and other receivables	11	**95,503**	86,380
Deposits and prepayments		**17,897**	15,061
Cash and cash equivalents		**31,674**	42,007
		169,343	149,407
Current liabilities			
Trade and other payables	12	**18,714**	18,783
Provision for taxation		**8,593**	9,195
		27,307	27,978
Net current assets		**142,036**	121,429
NET ASSETS		**151,362**	129,320
CAPITAL AND RESERVES			
Equity attributable to equity shareholders of the Company			
Share capital		**9,608**	9,608
Reserves		**143,083**	122,179
		152,691	131,787
Non-controlling interests		**(1,329)**	(2,467)
TOTAL EQUITY		**151,362**	129,320

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to equity shareholders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Statutory reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2011	9,580	58,652	2,135	5,858	1,195	31,821	5,649	114,890	(1,847)	113,043
Profit for the year	–	–	–	–	–	13,373	–	13,373	(608)	12,765
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	3,423	–	–	–	3,423	(12)	3,411
Total comprehensive income for the year	–	–	–	3,423	–	13,373	–	16,796	(620)	16,176
Transfer to reserve	–	–	–	–	–	(2,910)	2,910	–	–	–
Issuance of shares by exercising of share options	28	73	–	–	–	–	–	101	–	101
At 31 March 2012	9,608	58,725(#)	2,135(#)	9,281(#)	1,195(#)	42,284(#)	8,559(#)	131,787	(2,467)	129,320
At 1 April 2012	9,608	58,725	2,135	9,281	1,195	42,284	8,559	131,787	(2,467)	129,320
Profit for the year	–	–	–	–	–	19,267	–	19,267	1,128	20,395
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	1,637	–	–	–	1,637	10	1,647
Total comprehensive income for the year	–	–	–	1,637	–	19,267	–	20,904	1,138	22,042
Transfer to reserve	–	–	–	–	–	(2,248)	2,248	–	–	–
At 31 March 2013	**9,608**	**58,725(#)**	**2,135(#)**	**10,918(#)**	**1,195(#)**	**59,303(#)**	**10,807(#)**	**152,691**	**(1,329)**	**151,362**

(#) These accounts comprise the consolidated reserves of approximately HK$143,083,000 (2012: HK$122,179,000) in the consolidated statement of financial position.

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 6-7F., No. 1037, Gaopu Road, Tianhe District, Guangzhou City, Guangdong Province, the People's Republic of China. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

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

The Group has not applied any new and revised standard or interpretation that have been issued but are not yet effective for the current accounting period (see note 3).

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, and HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC) – Int 21	Levies[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

Revenue, which is also the Group's turnover, presented net of value-added tax, trade discounts and returns.

	2013	2012
	HK$'000	*HK$'000*
Revenue from the supply, development and integration of message communication system, passenger information management system and electricity monitoring system	**121,120**	79,357

5. OTHER REVENUE AND NET INCOME

	2013	2012
	HK$'000	*HK$'000*
a) Other revenue		
Bank interest income	**748**	410
Total interest income on financial assets not at fair value through profit or loss	**748**	410
Refund on value-added tax	**1,109**	4,264
Write-back of trade and other payables	**3,497**	2,343
Other income	**84**	284
	5,438	7,301
b) Other net income		
Net exchange gain	**226**	366
	5,664	7,667

6. PROFIT BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
a) Finance costs		
Interest on bank borrowings wholly repayable within five years	**–**	315
Total interest expenses on financial liabilities not at fair value through profit or loss	**–**	315
b) Staff costs, including directors' emoluments		
Salaries and wages	**15,900**	13,941
Contributions to retirement benefit schemes	**1,456**	1,368
Provision for staff welfare benefits	**1,590**	678
	18,946	15,987

	2013	2012
	HK$'000	*HK$'000*
c) Other items		
Auditors' remuneration	**360**	338
Allowance for doubtful debts	**222**	2,490
Provision for impairment of deposits	**2,474**	–
Cost of inventories sold*	**64,671**	41,193
Research and development costs#	**15,228**	10,929
Depreciation	**960**	1,029
Amortisation of intangible asset	**144**	–
Loss on disposal of property, plant and equipment	**–**	5
Exchange gain	**(226)**	(366)
Minimum lease payments under operating lease – land and buildings	**1,711**	1,579

* Cost of inventories sold includes HK$10,169,000 (2012: HK$8,856,000) relating to staff costs, depreciation expenses and amortisation charge which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

Research and development costs incurred for the year amounting to HK$15,228,000 (2012: HK$10,929,000) which was included in cost of sales.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group's customers are located. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of PRC comprises the revenue from supply, development and integration of passenger information management system and electricity monitoring system while the segment revenue of Hong Kong comprises the revenue from supply, development and integration of message communication systems and passenger information management system.

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

All assets are allocated to reportable segments other than deferred tax assets. All liabilities are allocated to reportable segments other than current tax liabilities.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2013 and 2012 is set out below.

	PRC		Hong Kong		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue						
Inter-segment revenue	**27**	–	**318**	363	**345**	363
Revenue from external customers	**120,865**	79,293	**255**	64	**121,120**	79,357
	120,892	79,293	**573**	427	**121,465**	79,720
Reportable segment profit	**39,455**	27,723	**345**	456	**39,800**	28,179
Research and development costs	**15,228**	10,929	**–**	–	**15,228**	10,929
Interest revenue	**348**	153	**400**	257	**748**	410
Interest expenses	**–**	(315)	**–**	–	**–**	(315)
Depreciation	**(852)**	(920)	**(108)**	(109)	**(960)**	(1,029)
Amortisation of intangible asset	**(144)**	–	**–**	–	**(144)**	–
Allowance for doubtful debts	**(222)**	(2,490)	**–**	–	**(222)**	(2,490)
Provision for impairment of deposits	**(2,474)**	–	**–**	–	**(2,474)**	–
Reportable segment assets	**156,010**	129,802	**21,470**	24,797	**177,480**	154,599
Reportable segment assets includes:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	**3,237**	925	**6**	–	**3,243**	925
Reportable segment liabilities	**19,007**	19,243	**2,034**	1,636	**21,041**	20,879

b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Total reportable segments' revenue	**121,465**	79,720
Elimination of inter-segment revenue	**(345)**	(363)
Consolidated turnover	**121,120**	79,357
Profit		
Total reportable segments' profit	**39,800**	28,179
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customer	**39,800**	28,179
Bank interest income	**748**	410
Finance costs	**–**	(315)
Unallocated head office and corporate expenses	**(16,964)**	(16,862)
Consolidated profit before tax expenses	**23,584**	11,412
Assets		
Total reportable segments' assets	**177,480**	154,599
Elimination of inter-segment receivables	**(2,327)**	(2,299)
	175,153	152,300
Deferred tax assets	**3,516**	4,998
Consolidated total assets	**178,669**	157,298
Liabilities		
Total reportable segments' liabilities	**21,041**	20,879
Elimination of inter-segment payables	**(2,327)**	(2,096)
	18,714	18,783
Current tax liabilities	**8,593**	9,195
Consolidated total liabilities	**27,307**	27,978

c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2013	2012
	HK$'000	*HK$'000*
Supply, development and integration of message communication systems	**–**	64
Supply, development and integration of passenger information management system	**119,357**	76,427
Electricity monitoring system	**1,763**	2,866
	121,120	79,357

d) Other geographical information

	Non-current assets	
	2013	2012
	HK$'000	*HK$'000*
PRC	**4,864**	2,653
Hong Kong	**138**	240
	5,002	2,893

The Group's non-current assets, which include property, plant and equipment and intangible asset exclude financial instruments and deferred tax assets. The geographical location of the Group's non-current assets are based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible asset.

e) Information about major customers

Revenue from four (2012: three) customers in PRC operating and reportable segment amounted to approximately HK$52,065,000, HK$20,604,000, HK$12,984,000 and HK$12,768,000 (2012: HK$37,035,000, HK$13,171,000 and HK$12,508,000), which individually represent more than 10% of the Group's total revenue.

No other single customer contributed 10% or more to the Group's total revenue for both 2013 and 2012.

8. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2013	2012
	HK$'000	*HK$'000*
Current year provision:		
PRC enterprise income tax	**1,687**	3,645
Deferred taxation		
Origination and reversal of temporary differences	**1,502**	(4,998)
	3,189	(1,353)

No Hong Kong profits tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the year. (2012: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") has been approved as a high and new technology enterprise and is entitled to a concessionary rate of Enterprise Income Tax ("EIT") at 15% until 22 August 2014.

Pursuant to the relevant laws and regulations applicable to newly established software production enterprises in the PRC, another PRC subsidiary, 廣州勝億交通信息軟件有限公司 ("勝億") was exempted from EIT for the year ended 31 December 2011, followed by a 50% reduction in the applicable tax rate of 25% for a period of 3 years from 1 January 2012. These tax concessions will expire after 31 December 2014.

Except for Guangzhou GL and 勝億 as mentioned above, another subsidiary located in the PRC is subject to the PRC EIT at rate of 25% (2012: 25%) on its assessable profits.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Reconciliation between tax expenses and accounting profit at the applicable tax rates:

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**23,584**	11,412
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**5,966**	3,071
Tax effect of profits entitled to tax exemption in the PRC	**(2,776)**	(5,137)
Tax effect of non-taxable income	**(243)**	(294)
Tax effect of non-deductible expenses	**417**	223
Tax effect of unused tax losses not recognised	**1,144**	826
Tax effect of utilisation of unused tax losses not recognised in prior years	**(1,319)**	(94)
Others	**–**	52
Tax expenses	**3,189**	(1,353)

9. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2012: Nil).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately HK$19,267,000 (2012: HK$13,373,000) and the weighted average number of approximately 960,808,000 ordinary shares (2012: 958,372,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2013	2012
	'000	*'000*
Issued ordinary shares at the beginning of the year	**960,808**	958,030
Effect of share options exercised	**–**	342
Weighted average number of ordinary shares at the end of the year	**960,808**	958,372

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately HK$19,267,000 (2012: HK$13,373,000) and the weighted average number of ordinary shares of approximately 961,975,000 shares (2012: 960,824,000 shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**960,808**	958,372
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**1,167**	2,452
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	**961,975**	960,824

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables and bills receivables	**98,878**	89,207
Less: allowance for doubtful debts	**(4,192)**	(3,906)
	94,686	85,301
Other receivables	**817**	1,079
	95,503	86,380

Included in trade receivables are retention monies receivable of approximately HK$5,706,000 (2012: HK$6,587,000), which are withheld and will be released upon the expiry of maintenance periods.

All of the trade and other receivables are expected to be recovered within one year, except for retention monies receivables of approximately HK$5,236,000 (2012: HK$5,047,000) which are expected to be recovered after more than one year.

(a) Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**27,080**	30,284
Between 91 and 180 days	**30,994**	10,391
Between 181 and 365 days	**23,575**	27,963
Between 1 and 2 years	**7,331**	10,076
	88,980	78,714
Retention receivables	**5,706**	6,587
	94,686	85,301

Customers are generally granted with credit terms of 90 days. Generally, the Group does not hold any collaterals from customers.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

Movements in the allowance for doubtful debts are as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
At the beginning of the year	**3,906**	1,667
Impairment losses recognised	**222**	2,490
Uncollectible amounts written off	**–**	(337)
Exchange realignment	**64**	86
At the end of the year	**4,192**	3,906

As at 31 March 2013, trade and bills receivables of the Group amounting to HK$4,192,000 (2012: HK$3,906,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**32,786**	38,599
Past due but not impaired:		
Less than 3 months past due	**30,994**	8,663
Over 3 months past due	**30,906**	38,039
	94,686	85,301

Receivables that were neither past due nor impaired with an aggregate balance of approximately HK$32,786,000 (2012: HK$38,599,000) relate to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	**9,390**	5,640
Other payables	**1,708**	4,747
Accrued wages	**837**	1,515
Payables for value-added tax	**6,642**	6,780
Deposits received from customers	**137**	101
	18,714	18,783

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**2,638**	1,277
Between 91 and 180 days	**3,582**	2,241
Between 181 and 365 days	**1,208**	243
Between 1 and 2 years	**61**	1,291
Over 2 years	**1,901**	588
	9,390	5,640

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group completed the production and delivery of its products during the past year in an orderly manner in the light of the train delivery schedule of China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR"). Apart from the performance of existing contracts, the delivery for new contracts signed in the year also started. Meanwhile, the supply of spare products and parts also increased as compared with that of last year. Due to increasing supply to CSR, CNR and city railway operators, the Group achieved a significant growth in turnover. The turnover for the year amounted to approximately HK$121,120,000, representing an increase of approximately 53% as compared with approximately HK$79,357,000 of last year.

Gross profit and profit attributable to equity shareholders

As at 31 March 2013, the Group recorded gross profit of approximately HK$38,324,000 and profit after tax of approximately HK$20,395,000. Profit attributable to equity shareholders of the Company amounted to approximately HK$19,267,000.

Gross profit for the year increased to approximately 32% from 31% during the corresponding period last year. The increase was mainly attributable to the dramatic enhancement of the overall operation management, in particular the effective control over raw material costs when it comes to the supplier management, as a result of the introduction of IRIS certification (an international standard of the rail road industry) by the Group.

Selling expenses

Selling expenses was approximately HK$8,697,000, increased by approximately HK$554,000 from the corresponding period last year, representing an increase of approximately 6.8%.

During the period, with the Group's higher investment in team building, the sales team was scaled up. In particular, the Group increased recruitment of sales staff in four major sales regions, namely southern China, northern China, central China and eastern China and adjusted remuneration for existing key staff. Further to consolidating its position in the existing markets in the PRC, the Group also explored the overseas markets. During the period, the Group arranged overseas field trips for relevant staff, with an aim to communicate with local customers and enable them to better understand Global Link and its products. In addition to numerous orders from major domestic cities and new projects in other cities of China, the Group also won the bid of the bulk purchase contract of CSR in relation to the export of outfit products to Europe.

Administrative expenses

During the period, administrative expenses decreased by approximately HK$351,000 or approximately 3% as compared to the corresponding period last year. Such decrease was mainly due to the stringent implementation of the financial budget.

Other income

During the period, other income decreased by approximately 26% as compared to the corresponding period last year, which was mainly due to the drop in the sales of contracted software products as a percentage of the sales throughout the year, resulting in a decrease in the related tax refund as compared to the corresponding period last year.

BUSINESS REVIEW

During the year under review, the Group remained vigilant in observing the government's industrial policy planning and its implementation requirements. Accordingly, our market development, product delivery, project service and investment in research and development for future solutions were coordinated in an orderly manner based on the construction and investment progress of each city railway system and the delivery schedule of CSR and CNR. Meanwhile, the Group timely adjusted our operation strategies to cope with the major technical and service issues arising from the extensive development of the railway transportation industry. Major features of our operations during the year were as follows:

1. Capitalizing on the huge investment in and extensive development of the industry to maximize the professional edge of the Company with an aim to expand into new markets. Facing the gradual increase in delivery by train manufacturers quarter by quarter, the Company took active measures to ensure the performance of all contractual projects and other related projects, and achieved substantial growth in results as compared to last year. As a major supplier of train information system solution for railway transportation in China, the Company capitalized on its renowned brand name and outstanding track record to obtain new orders for railway lines in various new cities during the year on top of additional purchase contracts for trains in core cities. The increasing number of projects carried out over the years has given rise to higher revenues generated from the spare parts and equipment and compensated services segments.

2. Stepping up efforts in penetrating into overseas markets by maintaining high standards of management. Guangzhou Global Link Communications Inc. obtained the certification of IRIS (an international standard of the rail road industry), which played an important role in enhancing the overall operation management. The Company also applied these high standards to the whole process of business from R&D, production, engineering service, sales and marketing management to operation planning. Driven by such professional high standards, the Company acquired the outfit product certification from an international well-known train manufacturer with its relevant products and solutions establishing a foothold in the markets of Hong Kong, Asia Pacific and Europe. The percentage of the new overseas contracts to the total newly acquired orders in the year recorded a significant growth, laying a solid foundation for further exploration of international markets.

3. Developing growth model by adjusting operation strategy. Despite its high market share in the industry, the Company is seeking to stand out among the peers in the fierce competition and further expand existing operation projects so as to fully unleash its potential for future development. Based on industry analysis, the Company understands that safe operation, efficient management and customer-oriented services should be the pressing concerns as the number of passengers is ever-increasing due to growing newly launched railway lines in various cities. On the back of implementing dozens of railway line projects, the Company gained in-depth understanding on relevant demand and needs and forged good relationships with its customers, which were the Company's competitive edges of business expansion. During the period, the operation centering on market differentiation was well established by the Company through conducting analysis on regional demand and formulating several systemic solutions for maintaining safe operation of trains, improving the quality of passenger services and enhancing operating income of relevant resources jointly with key customers in major cities while expanding its business into new markets. Such projects and services will significantly facilitate the transformation of the original operation model, thus generating strong and sustainable growth momentum for the Company.

BUSINESS OUTLOOK

The management of the Group is confident that, driven by relevant policies such as shifting the function and roles of the government agencies of the PRC and streamlining administration and decentralization, the consideration and approval process, construction investment, financing and implementation of the domestic rail transit projects should be proceeded in a more effective way that is well suited for the national conditions and conducive to the industry growth. As such, the companies within relevant industrial chains could benefit from such easing policies for a longer period. With innovation capacity amassed over the years and timely adjustment and implementation of operation strategies, the Company enjoys a more promising outlook for the overall operation, securing the growth in both operating income and consolidated profits.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since the last accounting year.

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2013, the Group had a total cash and bank balances, amounted to approximately HK$31,674,000 (2012: approximately HK$42,007,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had net current assets of approximately HK$142,036,000 (2012: approximately HK$121,429,000), of which approximately HK$31,674,000 (2012: approximately HK$42,007,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to Renminbi and United States Dollars. No hedging or other alternatives have been implemented. The Group continues to monitor its exposure closely and will take measures to lower the foreign currency risk when necessary.

EMPLOYEE AND SALARIES POLICY

As at 31 March 2013, the Group had 178 staff (2012: 189 staff), with 169 and 9 staff employed in the PRC and Hong Kong respectively.

	At 31 March 2013 *Number of staff*	At 31 March 2012 *Number of staff*
Management, finance and administration	**44**	52
Research and development	**116**	118
Marketing and sales	**18**	19
Total	**178**	189

The total staff costs, including Directors' emoluments, amounted to approximately HK$18,946,000 (2012: approximately HK$15,987,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including share option scheme, Mandatory Provident Fund Scheme, social insurance and accident insurance.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules throughout the period under review.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee comprises three members, Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Hu Tiejun.

The Group's annual audited results during the year ended 31 March 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

On behalf of the Board
Ma Yuanguang
Chairman

Hong Kong, 27 June 2013

As at the date of this announcement, the executive directors of the Company are Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Lo Kam Hon, Gary; the non-executive director of the Company is Mr. Wing Kee Eng, Lee; and the independent non-executive directors of the Company are Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung.