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Global Link

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Global Link Communications Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8060)

Third Quarterly Report 2016

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.

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HIGHLIGHTS

Turnover for the nine months ended 31 December 2016 was approximately HK\$51,931,000 representing approximately 37% increase from that of the Last Corresponding Period.

Loss attributable to equity shareholders of the Company was approximately HK\$5,799,000 and net loss of HK\$13,208,000 was recorded in the Last Corresponding Period.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

The board of directors (the “**Board**”) of Global Link Communications Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and the nine months ended 31 December 2016 together with the unaudited comparative figures for the corresponding periods in 2015 (“**Last Corresponding Period**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended 31 December		For the nine months ended 31 December	
		2016	2015	2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	18,834	17,395	51,931	37,984
Cost of sales		<u>(17,323)</u>	<u>(17,475)</u>	<u>(44,158)</u>	<u>(40,603)</u>
Gross profit		1,511	(80)	7,773	(2,619)
Other revenue		1,357	1,879	6,844	3,467
Selling expenses		(1,716)	(1,829)	(6,326)	(4,946)
Administrative expenses		(2,408)	(3,185)	(7,282)	(9,110)
Other operating expenses		(5,184)	-	(6,808)	-
(Loss) before taxation		(6,440)	(3,215)	(5,799)	(13,208)
Income tax	3	-	-	-	-
(Loss) for the period		<u>(6,440)</u>	<u>(3,215)</u>	<u>(5,799)</u>	<u>(13,208)</u>
Other comprehensive (loss)/income:					
Exchange differences on translating foreign operations		<u>(1,002)</u>	(998)	<u>(1,908)</u>	(2,155)
Total comprehensive (loss) for the period		<u>(7,442)</u>	<u>(4,213)</u>	<u>(7,707)</u>	<u>(15,363)</u>
(Loss) attributable to:					
Equity shareholders of the Company		<u>(6,440)</u>	(3,215)	<u>(5,799)</u>	(13,208)
Non-controlling interests		-	-	-	-
		<u>(6,440)</u>	<u>(3,215)</u>	<u>(5,799)</u>	<u>(13,208)</u>
Total comprehensive (loss) attributable to:					
Equity shareholders of the Company		<u>(7,442)</u>	(4,213)	<u>(7,707)</u>	(15,363)
Non-controlling interests		-	-	-	-
		<u>(7,442)</u>	<u>(4,213)</u>	<u>(7,707)</u>	<u>(15,363)</u>
(Loss) per share (in HK cents):					
- Basic	5	<u>(0.308)</u>	(0.295)	<u>(0.288)</u>	(1.213)
- Diluted		<u>(0.308)</u>	(0.295)	<u>(0.288)</u>	(1.213)

NOTES TO THE INCOME STATEMENT

1. BASIS OF PREPARATION

The Group's unaudited quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

2. REVENUE

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

3. INCOME TAX

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 period. (2015: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") was qualified as a high and new technology enterprise from October 2014 and was entitled to a concessionary rate of PRC enterprise income tax (the "PRC EIT") at 15% over 3 years.

Except for Guangzhou GL as mentioned above, remaining subsidiaries located in the PRC is subject to the PRC EIT rate of 25% (2015: 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.

There was no significant unprovided deferred taxation for the nine months ended 31 December 2016.

4. DIVIDEND

The Board does not recommend a dividend for the nine months ended 31 December 2016 (2015: Nil).

5. (LOSS) PER SHARE

(a) Basic (loss) per share

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the three months ended 31 December 2016 of approximately HK\$6,440,000 (2015: approximately HK\$3,215,000) and the weighted average number of approximately 2,088,808,000 ordinary shares (2015: 1,088,808,000 ordinary shares) in issue during the period calculated.

The calculation of basic (loss) per share is based on the unaudited consolidated loss attributable to equity shareholders of the Company for the nine months ended 31 December 2016 of approximately HK\$5,799,000 (2015: approximately HK\$13,208,000) and the weighted average number of approximately 2,016,080,000 ordinary shares (2015: 1,088,808,000 ordinary shares) in issue during the period calculated.

(b) Diluted (loss) per share

The basic and diluted loss per share are the same for the three months and nine months ended 31 December 2016 and 2015, as the warrants outstanding during the period are anti-dilutive.

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			(Accumulated losses)/						
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000 <i>(note a)</i>	Exchange reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000 <i>(note b)</i>	Total (Unaudited) HK\$'000	
As at 1 April 2015	10,888	89,807	2,135	12,129	186	(38,773)	10,807	87,179	
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(13,208)	-	(13,208)	
Other comprehensive loss Exchange differences on translating foreign operation	-	-	-	(2,155)	-	-	-	(2,155)	
As at 31 December 2015	<u>10,888</u>	<u>89,807</u>	<u>2,135</u>	<u>9,974</u>	<u>186</u>	<u>(51,981)</u>	<u>10,807</u>	<u>71,816</u>	
As at 1 April 2016	10,888	89,807	2,135	10,693	186	(67,561)	10,807	56,955	
Loss attributable to equity shareholders of the Company for the period	-	-	-	-	-	(5,799)	-	(5,799)	
Other comprehensive loss Exchange differences on translating foreign operations	-	-	-	(1,908)	-	-	-	(1,908)	
Issue of new shares	10,000	69,161	-	-	-	-	-	79,161	
As at 31 December 2016	<u>20,888</u>	<u>158,968</u>	<u>2,135</u>	<u>8,785</u>	<u>186</u>	<u>(73,360)</u>	<u>10,807</u>	<u>128,409</u>	

Note:

- (a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from group reorganisation in 2002.
- (b) Statutory reserves comprise statutory surplus reserve and statutory welfare reserve fund of subsidiary in the People's Republic of China (the "PRC").

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

During the period under review, it was the opening year of the 13th Five-year Plan of the PRC government and GDP recorded a growth rate of 6.7% in 2016. The PRC government formulated the basic governing policy of making progress while maintaining stability. Under the premise of maintaining social stability, a breakthrough has been made in key areas. During implementation of the industrial policy of reducing excess capacity, great efforts have been constantly made in the reform of supply side for numerous entity industries. As the financial sector and real estate made greater contributions to GDP while the share of the manufacturing sector declined, China's real economy has attracted an unprecedented attention. Real economy is the foundation of national economy and the rise of China's economy relies on the manufacturing sector to a large extent. China would not secure today's position in the global economic pattern without the prosperity of real economy. Therefore, it is crucial for the government to promote the economic development by reducing industrial tax burden and applying more funds for serving the real economy.

During the period, the Group's business transformation focused on promoting the Smart City project construction in Panyu District, Guangzhou and proactively implementing the "Internet + people's livelihood services". The Group entered into a strategic cooperation agreement with the government of Panyu District, Guangzhou and its affiliated Guangzhou Xinghai Digital Television Golden Card Co., Ltd. (廣州星海數字電視金卡有限公司) through its wholly-owned subsidiary "Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司)". The establishment of the partnership represented that the implementation and application of the patented and authorized "CA-SIM" in Panyu District has been substantively recognized and supported by local government. The Group's affiliated enterprises will work with the relevant government authorities and entities to strengthen the popularity of people's livelihood cards in the local area, vigorously promote the construction and cooperation in government affairs, education, population management, transportation, emergency, medical treatment, convenience services and tourism fields through "CA-SIM" mobile Internet terminals to achieve the overall objective of "people's livelihood services and one transit smart card". Based on the principle of "government-dominated, social participation, and industry linkage", the cooperation has been officially reached to establish the strategic cooperative partnership. Making full use of the four characteristics of people's livelihood construction in Panyu District including "people's livelihood archives", "people's livelihood cards", "people's livelihood services", and "people's livelihood integral", the Group proactively promoted the collaborative

innovative application service model of “cloud service + mobile phone people’s livelihood card + smart terminal” to complete the construction of an intelligent information-based city of Panyu based on cloud featuring comprehensive perception, high integration, and intelligent services and enhance the construction of social governance capacity modernization and diversified social service applications. In combination with the actual needs of local area, basic supporting layout and optimization of technical operation application programs, the Group conducted corresponding optimization and adjustment for the plan of implementing the one transit smart card of new city and comprehensively implemented the application of “cloud services + mobile phone people’s livelihood card + smart terminal” to fully realize the construction of the pilot mobile phone people’s livelihood card application in Panyu District. It laid a foundation for the implementation of CA-SIM Smart City application and promotion in Panyu. The Group will carry out the development and docking of the people’s livelihood card business system, CA authentication system and its business platform under the guidance and coordination of the local government to achieve the interconnection of CA identity authentication data application for “people’s livelihood cards”, “people’s livelihood archives”, “people’s livelihood integral”, and “people’s livelihood services”, realize the application, construction and issuance of mobile phone people’s livelihood cards in Panyu, and achieve the new “Smart City” model of “recording life, managing life, serving life, and protecting life”.

Thanks to the PRC government’s investment in rail transit for years, new urban rail transit has been launched for operation. During the period, the Group also launched its new lines for operation and maintenance. It implemented the operation and maintenance services for seven new lines in Guangzhou, Wuhan, Guangfo, Fuzhou and Century Link of Hong Kong. In the meantime, at the request of CRRC and customers in various regions, the Group promoted the train system application and innovation for urban rail transit in an orderly manner and signed new order contracts.

The general economic policy of the PRC government is the reform of supply side and the purpose of reform is to win the market and expand profit margin through quality and efficiency upgrade to stimulate the corporate vitality. The management of the Group is convinced that its overall operation will gain new results as long as we make constant efforts in innovation based on the actual circumstances, adhere to the core concept of “benefit and convenience for people, and serving the community”, and concentrate on the construction and operation of specific and feasible projects.

Financial review

For the nine months ended 31 December 2016, the turnover of the Group amounted to approximately HK\$51,931,000, representing an increase of 37% as compared with the corresponding period last year. Loss attributable to equity shareholders of the Company amounted to HK\$5,799,000, compared to a loss of HK\$13,208,000 recorded in the corresponding period last year.

During the period, the Group delivered the train passenger information system products to the train manufacturing enterprise of CRRC as per the delivery schedule of the supply contracts signed. The products were spare parts and accessories for 15 lines and other lines in nine cities at home and abroad.

Moreover, the Group recovered the payment for goods in arrears for a long time due to the effective collection of accounts receivable, leading to the reversal of the previous provision for bad debts in the period.

During the period, selling expenses increased by 28% over the same period last year. Selling expenses were mainly used for expanding the Smart City construction in Panyu District, Guangzhou, and the Group strengthened efforts in promoting the CA-SIM access control system. The Group set up a subsidiary of “Guangzhou Global Link Intelligent Information Technology Co., Ltd. (廣州國聯智慧信息技術有限公司)” in late November 2016, which is responsible for propelling the development of Smart City project in Panyu District.

During the period, the amortization of the intangible asset CA-SIM patent right was transferred from administrative expenses to other operating expenses, which resulted in a significant decrease in administrative expenses (including intangible asset amortization) over the same period last year. The actual administrative expenses of the Group increased over the same period last year. The administrative expenses were effectively controlled due to strict implementation of the financial budget.

During the period, the provision for product warranties of the Group amounted to HK\$4,371,000, while the Group made no provision for product warranties in the corresponding period last year. These items are included in “other operating expenses” on the face of consolidated statement of comprehensive income.

Use of proceeds from the subscription completed on 21 April 2016

Honor Crest Holdings Limited, a direct wholly owned subsidiary of International Elite Ltd. (stock code: 1328) completed the subscription of 1,000,000,000 shares of the Company on 21 April 2016. For details please refer to the announcements of the Company dated 29 February 2016 and 21 April 2016 and the circular published by the Company dated 30 March 2016 (the “**Circular**”).

The gross proceeds from the subscription were HK\$80.0 million. The net proceeds of the subscription, after deduction of expenses and professional fees, amounted to approximately HK\$79.0 million (the “**Subscription Proceeds**”), amongst which approximately HK\$6.7 million had been utilised as at 31 December 2016. The breakdown of the Company’s actual use of the Subscription Proceeds as at 31 December 2016 is as follows:

	Proposed use of the Subscription Proceeds as disclosed in the Circular <i>HK\$ million</i>	Actual use of the Subscription Proceeds from the date of completion of the Subscription to 31 December 2016 <i>HK\$ million</i>
The Company’s existing train information system solutions for urban rail transit business, mainly for the execution of the newly signed order contracts of a number of new lines projects in several cities in the PRC	30.0	–
The development of the “Smart City” project by using the Company’s existing CA-SIM technology, mainly for staff hiring, development of relevant management system platform and gradual roll out of the mobile apps and value-added services to target users	41.1	5.1
Working capital	7.9	1.6
	<hr/>	<hr/>
Total	79.0	6.7
	<hr/> <hr/>	<hr/> <hr/>

Based on the information currently available and the Board's estimation of the future market condition, the Company intends to further utilise approximately HK\$5.2 million (representing approximately 7.2% of the unutilised Subscription Proceeds of approximately HK\$72.3 million) in the following manner in the financial year ending 31 March 2017:

- (a) approximately HK\$2.2 million (representing approximately 3.0% of the unutilised Subscription Proceeds) is expected to be applied to the development of "Smart City" projects and related research and development;
- (b) approximately HK\$2.3 million (representing approximately 3.2% of the unutilised Subscription Proceeds) is expected to be applied to the development of our urban rail transit business; and
- (c) approximately HK\$0.7 million (representing approximately 1.0% of the unutilised Subscription Proceeds) is expected to be applied as working capital.

The remaining balance of approximately HK\$67.1 million (representing approximately 92.8% of the unutilised Subscription Proceeds) will be put in banks in Hong Kong as deposits.

Based on the current market condition, the Board is planning to utilise approximately HK\$9.3 million, HK\$10.0 million and HK\$2.7 million on (i) urban rail transit business projects, (ii) development of the "Smart City" projects and relevant research and development, and (iii) working capital, respectively, in the financial year ending 31 March 2018.

As at 31 December 2016, there is no plan to change the original intended use of the proceeds as disclosed in the Circular.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, to the best knowledge of the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:–

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Ma Yuanguang	Company	Owner	255,121,200 ordinary shares Long position	12.21%
Li Kin Shing ⁽¹⁾	Company	Owner	119,641,200 ordinary shares Long position	5.73%
		Interest of corporation controlled by the director	931,139,120 ordinary shares Long position	44.58%
Wong Kin Wa	Company	Owner	420,000 ordinary shares Long position	0.02%

Note:

- (1) Mr. Li Kin Shing (“**Mr. Li**”) is personally interested in 32,213,160 shares. Ms. Kwok King Wa (“**Ms. Kwok**”) is personally interested in 87,428,040 shares. Mr. Li is the spouse of Ms. Kwok. Accordingly, Mr. Li is deemed to be interested in his spouse’s shareholding under the SFO. Furthermore, Ever Prosper International Limited, which is held as to 50% and 46.5% by Mr. Li and Ms. Kwok respectively, is interest in 57,456,000 shares. Therefore, Mr. Li is also deemed to be interested in the shares held by Ever Prosper International Limited under the SFO. Moreover as Mr. Li is the controlling shareholder of International Elite Ltd. (stock code: 1328), he is deemed interested in the 873,683,120 shares held directly and indirectly by International Elite Ltd. under the SFO. Accordingly, Mr. Li is deemed to be interested in aggregate 1,050,780,320 shares under the SFO.

Save as disclosed above, as at 31 December 2016, to the best knowledge of the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, to the best knowledge of the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested

in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Honor Crest Holdings Limited ⁽¹⁾	Beneficial owner	745,683,120	35.7%
International Elite Ltd. ⁽²⁾	Beneficial owner	128,000,000	6.13%

Note:

- (1) Honor Crest Holdings Limited is a directly wholly-owned subsidiary of International Elite Ltd. (stock code 1328) (“**IEL**”). During the period under review, IEL declared and paid a special dividend to its shareholders by way of distribution of 254,336,880 shares of the Company held by Honor Crest Holdings Limited. For details, please refer to the announcement of IEL dated 16 November 2016.
- (2) Our Director, Mr. Li Kin Shing, is the controlling shareholder of IEL.

Save as disclosed above, as at 31 December 2016, so far as known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2016, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the members of the Group had purchased, sold or redeemed any of the shares of the Company during the nine months ended 31 December 2016.

COMPETING INTERESTS

None of the Directors nor the substantial shareholder nor the initial management shareholders (as defined in the GEM Listing Rules) of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises of three members, namely Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao, all being independent non-executive Directors. The Group's unaudited results for the nine months ended 31 December 2016 have been reviewed by the audit committee, which was of the opinion that such results complied with the applicable accounting standards, the relevant legal and regulatory requirements, and that adequate disclosures have been made.

The audit committee further reviewed the Company's internal control and risk management system and is of the view that the internal control and risk management in place are effective and adequate for the Group as a whole.

By order of the Board

Li Kin Shing

Chairman

Hong Kong, 13 February 2017

As at the date of this report, the executive Directors are Mr. Li Kin Shing, Mr. Ma Yuanguang, and Mr. Wong Kin Wa; and the independent non-executive Directors are Mr. Leung Kwok Keung, Mr. Cheung Sai Ming and Mr. Liu Chun Bao.