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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 FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2019**

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chinlink International Holdings Limited (the “**Company**” or “**Chinlink**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2019 (the “**Year**”), together with the comparative figures for the year ended 31 March 2018 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 March 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3		
Goods and services		1,670,571	1,205,187
Rental		28,145	27,172
Interest			
– Interest from finance lease receivables		32,568	8,829
– Other interest revenue		19,002	16,538
		<hr/>	<hr/>
Total revenue		1,750,286	1,257,726
Cost of sales		(1,534,057)	(1,110,523)
		<hr/>	<hr/>

* For identification purpose only

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

For the year ended 31 March 2019

	<i>NOTES</i>	2019 HK\$'000	2018 HK\$'000
Gross profit		216,229	147,203
Other income, gains and losses	5	7,521	70,435
Gain on fair value change of investment properties		224,546	161,017
Loss arising from acquisition of a subsidiary		–	(101,654)
Impairment losses on financial assets, net of reversal		(24,518)	245
Impairment loss on goodwill		(10,161)	–
Selling and distribution costs		(9,777)	(11,703)
Administrative expenses			
– equity-settled share-based payments		(265)	(1,882)
– other administrative expenses		(132,526)	(101,524)
Finance costs	6	(132,791)	(103,406)
		<u>(199,461)</u>	<u>(167,598)</u>
Profit (loss) before tax		71,588	(5,461)
Income tax expense	7	(54,432)	(23,665)
Profit (loss) for the year	8	17,156	(29,126)
Other comprehensive (expense) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(187,262)	270,037
Total comprehensive (expense) income for the year		<u>(170,106)</u>	<u>240,911</u>
Profit (loss) for the year attributable to:			
Owners of the Company		18,887	(77,877)
Non-controlling interests		(1,731)	48,751
		<u>17,156</u>	<u>(29,126)</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(157,628)	141,378
Non-controlling interests		(12,478)	99,533
		<u>(170,106)</u>	<u>240,911</u>
Earnings (loss) per share	9		
– Basic		HK1.38 cents	HK (11.44) cents
– Diluted		HK1.38 cents	HK (11.44) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		53,064	24,378
Investment properties		3,941,746	3,871,563
Goodwill		32,555	42,716
Deposit for land auction		10,495	–
Financial assets at fair value through profit or loss		15,880	–
Available-for-sale investment		–	1,239
Payment for a life insurance policy		–	12,215
Deposits and prepayments		21,450	3,128
Finance lease receivables		220,640	125,269
		<hr/> 4,295,830	<hr/> 4,080,508
Current assets			
Inventories		12,992	872
Trade receivables	<i>11</i>	25,635	100,277
Trade receivables from related companies	<i>11</i>	–	269
Loan receivables		87,067	130,986
Finance lease receivables		103,243	76,531
Factoring receivables		106,520	–
Other receivables, deposits and prepayments		33,110	37,647
Amounts due from former subsidiaries		–	21,305
Restricted deposits		–	61,927
Pledged bank deposits		470,519	448,550
Bank balances and cash		83,138	193,082
		<hr/> 922,224	<hr/> 1,071,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Current liabilities			
Deferred revenue		–	2
Trade payables	12	14,832	74,345
Other payables and accruals		68,206	76,471
Loans from staff		23,891	30,857
Construction costs accruals		139,970	164,576
Receipts in advance		17,057	46,147
Contract liabilities		27,722	–
Deposits received from tenants and customers		24,559	19,623
Amounts due to related companies		166,431	68,186
Amounts due to directors		7,182	43
Amounts due to former subsidiaries		9,164	8,365
Provision for warranty		126	126
Financial guarantee contracts		4,409	3,180
Tax payable		10,119	7,042
Bank and other borrowings		1,010,649	683,494
9.0% coupon bonds		366,656	–
Obligations under finance leases		55	749
		<hr/>	<hr/>
		1,891,028	1,183,206
		<hr/>	<hr/>
Net current liabilities		(968,804)	(111,760)
		<hr/>	<hr/>
Total assets less current liabilities		3,327,026	3,968,748
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
3.0% convertible bonds		–	287,802
9.0% coupon bonds		–	355,967
12.0% coupon bonds		120,321	119,099
Obligation arising from a put option to a non-controlling shareholder		87,089	81,049
Deferred tax liabilities		295,145	276,511
Receipts in advance		6,254	24,026
Contract liabilities		8,297	–
Bank and other borrowings		449,522	412,180
Amounts due to related companies		274,593	560,541
Obligations under finance leases		89	144
		<u>1,241,310</u>	<u>2,117,319</u>
		<u>2,085,716</u>	<u>1,851,429</u>
Capital and reserves			
Share capital	13	456,753	213,662
Reserves		1,565,223	1,560,282
		<u>2,021,976</u>	<u>1,773,944</u>
Equity attributable to owners of the Company		2,021,976	1,773,944
Non-controlling interests		63,740	77,485
		<u>2,085,716</u>	<u>1,851,429</u>

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The presentation currency of the consolidated financial statements is Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the facts that, as of 31 March 2019, the Group’s current liabilities exceeded its current assets by approximately HK\$968,804,000 and the Group has defaulted in respect of a repayment of a bank loan amounted to HK\$255,876,000 subsequent to the end of the reporting period.

The directors of the Company have performed an assessment of the Group’s future liquidity and cash flows, taking into account the following matters:

- (i) the expected availability of credit facilities of approximately HK\$575,000,000 pursuant to a term sheet entered into by the Company, Mr. Li Weibin (“**Mr. Li**”, the chairman and managing director of the Company) and a financial institution subsequent to the end of the reporting period which is not legally binding on the parties thereto. The relevant loan facility is currently undergoing the internal approval procedures of the financial institution which, based on the best estimation of the directors of the Company, the approval for the loan agreement will be obtained from the financial institution in the near future. Part of the credit facilities will be utilised to repay the defaulted loan as mentioned above;
- (ii) the expected extension of HK\$100,000,000 9.0% coupon bonds due on 25 July 2019 for a period of one year and the issuance of a new 9.0% coupon bonds of maximum amount of HK\$300,000,000 in August 2019 pursuant to a term sheet entered into by the Company, Mr. Li (as guarantor) and a placing agent subsequent to the end of the reporting period which is not legally binding on the parties thereto;
- (iii) the written consent obtained from a lender for not demanding immediate repayment of the outstanding loan of HK\$329,628,000; and
- (iv) Mr. Li has provided facilities of HK\$450,000,000 to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, and agreed not to demand any of the amounts due to him by the Group in the next twelve months from the date of approval for issue of these consolidated financial statements subsequent to the end of the reporting period.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis. However, should the above refinancing plan not be able to implement successfully, or the existing facilities provided by Mr. Li are no longer available to the Group, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Company’s assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

3. REVENUE

A. For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2019 <i>HK\$'000</i>
Types of goods and services:	
Revenue from international trading	
– grain and oil products	182
– electronic products	1,550,844
Revenue from property management services	75,819
Revenue from financial guarantee services	18,919
Revenue from financial advisory services	
– financial advisory services	22,240
– asset management services	2,218
Revenue from logistics services	349
	<hr/>
Total revenue from contracts with customers	1,670,571
	<hr/>
Add:	
Rental income under HKAS 17	28,145
Interest income under HKFRS 9	19,002
Interest income under HKAS 17	32,568
	<hr/>
Total revenue	1,750,286
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Geographical markets:	
Hong Kong and Macau	1,575,302
The People's Republic of China ("PRC")	95,269
	<hr/>
Total	1,670,571
	<hr/> <hr/>
Timing of revenue recognition:	
A point in time	1,573,266
Over time	97,305
	<hr/>
Total	1,670,571
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3. REVENUE (Continued)

A. For the year ended 31 March 2019 (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 March 2019			Revenue
	Revenue disclosed in segment information <i>HK\$'000</i>	Adjustment of rental income <i>HK\$'000</i>	Adjustment of interest income <i>HK\$'000</i>	from contracts with customers <i>HK\$'000</i>
<u>Segment</u>				
International trading	1,551,026	–	–	1,551,026
Property investment	103,964	(28,145)	–	75,819
Financial guarantee services	18,919	–	–	18,919
Finance lease services	32,568	–	(32,568)	–
Financial advisory services	24,458	–	–	24,458
Logistics services	349	–	–	349
Revenue for reportable segment	1,731,284	(28,145)	(32,568)	1,670,571
Unallocated revenue	19,002	–	(19,002)	–
Total	<u>1,750,286</u>	<u>(28,145)</u>	<u>(51,570)</u>	<u>1,670,571</u>

B. For the year ended 31 March 2018

	2018 <i>HK\$'000</i>
Revenue from interior decoration work	114
Revenue from international trading	1,115,887
Revenue from financial guarantee services	17,001
Revenue from logistics services	874
Revenue from financial advisory services	5,690
Revenue from property investment	
– Rental income	27,172
– Management fee income	65,621
Interest income from money lending	16,538
Interest income from finance leases	8,829
	<u>1,257,726</u>

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

During the year ended 31 March 2019, the Group considered the financial advisory business acquired in last year as a new operating and reportable segment reported to the CODM. Prior year segment disclosures have been represented to conform with the current year’s presentation. Since revenue from interior decoration work business is no longer separately reviewed by the CODM and therefore it is not separately presented. Revenue from this business is presented as unallocated revenue and comparative figures have been represented to conform with the current year’s presentation.

The Group’s operating and reportable segments under HKFRS 8 “Operating segments” are as follows:

- (i) International trading – trading of consumer goods and electronic products
- (ii) Property investment – leasing of property and provision of property management services
- (iii) Financial guarantee services – provision of corporate financial guarantee services and related consultancy services
- (iv) Finance lease services – provision of finance lease services
- (v) Financial advisory services – provision of financial advisory and asset management services
- (vi) Logistics services – provision of logistics services

The revenue streams and results from these segments are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

Money lending and factoring businesses are not separately reviewed by the CODM and therefore they are not separately presented.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Year ended 31 March 2019		Year ended 31 March 2018	
	Segment revenue <i>HK\$'000</i>	Segment profit (loss) for the year <i>HK\$'000</i>	Segment revenue <i>HK\$'000</i> (Restated)	Segment profit (loss) for the year <i>HK\$'000</i> (Restated)
International trading	1,551,026	35,805	1,115,887	22,134
Property investment	103,964	227,796	92,793	183,542
Financial guarantee services	18,919	13,392	17,001	13,302
Finance leases services	32,568	8,987	8,829	3,955
Financial advisory services	24,458	(32,214)	5,690	(8,816)
Logistics services	349	(1,444)	874	(2,261)
Revenue and result for reportable segment	1,731,284	252,322	1,241,074	211,856
Unallocated revenue	19,002		16,652	
Total	<u>1,750,286</u>		<u>1,257,726</u>	
Unallocated revenue		19,002		16,652
Unallocated income, gains and losses		7,248		70,311
Unallocated impairment losses on financial assets		(23,147)		–
Unallocated equity-settled share-based payments		(154)		(1,365)
Unallocated gain on fair value change of investment properties		60,172		26,011
Loss arising from acquisition of a subsidiary		–		(101,654)
Gain on fair value change of the derivative components of convertible bonds		–		121
Unallocated corporate expenses		(44,394)		(59,795)
Finance costs		(199,461)		(167,598)
Profit (loss) before tax		<u>71,588</u>		<u>(5,461)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, equity-settled share-based payments in relation to central administrative staff, unallocated impairment losses on financial assets, gain on fair value change of investment properties (except for gain on fair value change of certain investment properties), loss arising from acquisition of a subsidiary, other income, gains and losses, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. OTHER INCOME, GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other income		
Interest income	9,487	8,669
Imputed interest income from amounts due from former subsidiaries	2,172	1,905
	<u>11,659</u>	<u>10,574</u>
Other gains and losses		
Adjustment on carrying amount of amount due to a related company	–	47,780
Gain on disposal of property, plant and equipment	273	3
Net foreign exchange (loss) gain	(13,992)	11,957
Gain on fair value change of derivative components of convertible bonds	–	121
Gain on fair value change of financial assets at fair value through profit or loss	853	–
Write-off of payables	8,132	–
Others	596	–
	<u>(4,138)</u>	<u>59,861</u>
	<u>7,521</u>	<u>70,435</u>

6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank and other borrowings	100,695	64,193
Effective interest expense on 10.0% convertible bonds	–	10,607
Effective interest expense on 3.0% convertible bonds	3,328	50,393
Effective interest expense on 9.0% coupon bonds	42,189	26,967
Effective interest expense on 7.5% coupon bonds	–	8,312
Effective interest expense on 12.0% coupon bonds	15,486	4,901
Imputed interest expense from amounts due to former subsidiaries	1,171	1,028
Imputed interest expense from amounts due to related companies	31,656	19,182
Imputed interest expense from obligation arising from put option to a non-controlling shareholder	10,696	3,808
Interest on finance leases	34	87
	<u>205,255</u>	<u>189,478</u>
Total finance costs		
Less: Amount capitalised in investment properties under construction	(5,794)	(21,880)
	<u>199,461</u>	<u>167,598</u>

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong	3,061	2,763
PRC	<u>6,202</u>	<u>4,546</u>
	<u>9,263</u>	<u>7,309</u>
Over provision in prior years:		
Hong Kong	(83)	(141)
PRC	<u>(1,344)</u>	<u>(2,996)</u>
	<u>(1,427)</u>	<u>(3,137)</u>
Deferred tax	<u>46,596</u>	<u>19,493</u>
	<u><u>54,432</u></u>	<u><u>23,665</u></u>

8. PROFIT (LOSS) FOR THE YEAR

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	2,919	2,850
Depreciation of property, plant and equipment	4,453	3,308
Amortisation of intangible assets (included in administrative expenses)	–	1,756
Staff costs (including directors' emoluments)		
Salaries and other benefits	69,714	52,762
Retirement benefit scheme contributions	6,747	5,956
Equity-settled share-based payments (Note)	237	1,431
	76,698	60,149
Cost of inventories recognised as expenses	1,502,220	1,080,606
Operating lease rentals paid in respect of rented properties	11,115	9,158
Operating lease rentals paid in respect of office equipment	99	56
Gross rental income from investment properties	(28,145)	(27,172)
Less: direct operating expenses incurred for investment properties that generated rental income	4,301	4,653
	<u><u>(23,844)</u></u>	<u><u>(22,519)</u></u>

Note: Amount excluded equity-settled share-based payments to consultants of HK\$28,000 (2018: HK\$451,000) in connection with the services provided by the consultants who solely rendered services and reported their duties to the Group. Such services are similar as in nature to those rendered by employees of the Group.

9. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>18,887</u>	<u>(77,877)</u>

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,364,689</u>	<u>680,901</u>

During the year ended 31 March 2019, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price of shares for the year and the conversion of the outstanding 3.0% convertible bonds during the period as they would result in increase in earnings per share.

During the year ended 31 March 2018, the computation of diluted loss per share does not assume the conversion of the outstanding 10.0% convertible bonds and 3.0% convertible bonds and the exercise of share options of the Company as they would result in decrease in loss per share.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED COMPANIES

Trade receivables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables		
– goods and services	28,003	100,725
– operating lease	<u>112</u>	<u>119</u>
	28,115	100,844
<i>Less: Allowances for credit losses</i>	<u>(2,480)</u>	<u>(567)</u>
	<u>25,635</u>	<u>100,277</u>

11. TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED COMPANIES (Continued)

Trade receivables (Continued)

The following is an aging analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	16,489	86,365
31 – 90 days	8,744	10,774
> 90 days	402	3,138
	<u>25,635</u>	<u>100,277</u>

Trade receivables from related companies

As at 31 March 2018, trade receivables from related companies of HK\$269,000 were aged within 30 days based on the invoice date at the end of the reporting period.

12. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	12,855	66,611
31 – 90 days	–	–
> 90 days	1,977	7,734
	<u>14,832</u>	<u>74,345</u>

13. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.3125 each:		
Authorised		
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>2,000,000,000</u>	<u>625,000</u>
Issued and fully paid		
At 1 April 2017	670,002,436	209,376
Shares issued on conversion of 3.0% convertible bonds (Note i)	<u>13,716,814</u>	<u>4,286</u>
At 31 March 2018	683,719,250	213,662
Shares issued on conversion of 3.0% convertible bonds (Note ii)	641,150,442	200,360
Placing of shares (Note iii)	<u>136,740,000</u>	<u>42,731</u>
At 31 March 2019	<u>1,461,609,692</u>	<u>456,753</u>

Note i: During the year ended 31 March 2018, 13,716,814 ordinary shares of the Company, with aggregate par value of approximately HK\$4,286,000 were issued upon the partial conversion of 3.0% convertible bonds.

Note ii: During year ended 31 March 2019, 641,150,442 ordinary shares of the Company, with aggregate par value of approximately HK\$200,360,000, were issued upon the conversion of the remaining 3.0% convertible bonds.

Note iii: At 27 September 2018, the Group issued 136,740,000 ordinary shares to independent third parties at HK\$0.80 per share upon the completion of the placing of new shares. The issued shares will rank pari passu in all respects with all other shares in issue.

14. CONTINGENT LIABILITIES

Corporate guarantee

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Guarantee given to banks in respect of financial guarantee services provided to:		
– Independent third parties	465,211	411,816
– Related parties	5,837	30,963
	<u>471,048</u>	<u>442,779</u>

15. OPERATING LEASE COMMITMENTS

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

As lessee

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	9,189	11,962
In the second to fifth year inclusive	3,639	11,769
	<u>12,828</u>	<u>23,731</u>

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

Leases are negotiated for a term ranging from one to three years and rentals are fixed for the lease period.

As lessor

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	<u>16,855</u>	<u>3,543</u>

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

16. CAPITAL COMMITMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in connection with the investment properties under construction	<u>127,376</u>	<u>176,786</u>

AUDIT OPINION

The auditor of the Group has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by HK\$968,804,000 at 31 March 2019. As stated in note 1, the Group's ability to continue as a going concern is dependent on the ongoing availability of financial support by the Group's ultimate controlling shareholder and chairman, as well as successfully obtaining new credit facilities and the issuance of new 9.0% coupon bonds. However if the financial support were not available, or the new financing is not successfully obtained, the Group would be unable to meet its financial obligations as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Year under review, the Group remained active in providing financial services that included financial guarantee, finance lease, factoring, and supply chain finance to small and medium-sized enterprises (“**SMEs**”) in China, with special focus on the Shaanxi Province where the licences are granted. Besides, the Group has also been expanding into merchant banking business through MCM Holdings Limited and its subsidiaries (collectively “**MCM Group**”), which became our subsidiaries since November 2017, specialising in helping international clients in asset management, cross-border investment and fundraising in the primary markets in China, Hong Kong and overseas. In addition, the Group also enjoyed substantial growth in international trading, and steady incomes from its investment property.

As a result, the Group recorded a total revenue of HK\$1,750.3 million for the Year, represented a rise of 39.2% compared with the year ended 31 March 2018 (the “**Previous Year**”). The revenue growth was brought together by the continuous good performance of international trading and property investment and the additional contribution from the two new segments, namely finance lease services and financial advisory services, both of which began to provide revenues in the second half of the Previous Year. Whilst there were also modest growth in the financial guarantee and investment property segments.

Overall speaking, the Group’s financial services performance is on a healthy trend during the Year with satisfactory revenue and gross profit growth. We were able to capture the favourable market opportunity, riding on the above average economic growth in the market, mainly Xi’an and the nearby regions in Shaanxi Province. Moreover, our consistent growth was driven by the high demands for different types of financing products, like what we are offering, by the large number of SMEs who are still not getting enough support from traditional banks. As usual, we are committed to stringent credit criteria and risk management practices across all financial services business units. Together with our experienced management team and our deep knowledge of the local market, we are proud to report that there were minimum delinquent cases recorded on the entire financial services portfolio throughout the Year.

Segmental Performance

International Trading Business

For the Year, the international trading recorded a 39.0% increase in revenue to HK\$1,551.0 million, being the largest income generator for the Group. Gross profit was HK\$48.8 million, a 38.5% increase from the Previous Year. The gross profit margin was stable at around 3.1%. Major trading products during the Year are those highly popular critical electronic components such as IC and NAND flash memory chips widely used in smartphones, tablets and data storage and servers. Despite the worldwide smartphone market growth began slowing down from early 2018, affecting the overall consumption of flash memory, it was largely offset by the increasing demand from the computer industry as a substitution for the hard drives because of its increasing storage capacity, compact size, speed and power efficiency. The Group maintains its competitive advantage and enjoyed substantial growth in this trading business because of its deep market and product knowledge, and a reliable supply and customer bases.

Logistics

For the Year, the logistics services segment generated the revenue of HK\$0.3 million. This segment is ancillary to the Group's international trading and financial services businesses. Therefore, it only operated in a minimal scale and does not constitute as a material profit centre.

Financial Guarantee Services Business

The Group generated the revenue of HK\$18.9 million during the Year represented a modest increase of 11.3% compared with the Previous Year. The gross profit margin remained high at 97.7% during the Year. The total outstanding guarantee amount was RMB403.5 million as of the end of the Year as compared with RMB322.5 million for the Previous Year. On 17 August 2018, Hanzhong City Investment Holdings Group Limited* ("**Hanzhong Investment**"), the investment vehicle controlled by People's Government of Hanzhong Municipality, injected RMB120.0 million to Shaanxi Chinlink Financial Guarantee Limited* (the "**Financial Guarantee Company**"), (an indirect non-wholly owned subsidiary of the Company), as a result, the Hanzhong Investment holds 35.0% equity interest in the Financial Guarantee Company. During the Year, the Financial Guarantee Company still faced difficulty in further expanding the portfolio as Chinese domestic banks imposed tighter credit policy to SMEs.

Finance Lease Services Business

Finance lease services business recorded a 268.9% increase in revenue to HK\$32.6 million, and a gross profit of HK\$32.5 million. The significant growth was due to the revenue of finance lease service business in the Previous Year only captured 7 months contribution since the business commenced in September 2017. Total outstanding lease balance as of 31 March 2019 was RMB277.4 million, all are sale and lease back transactions with a diversified industry mix that included natural gas pipelines, power generating equipment, oil exploration and drilling machineries, medical equipment and school facilities, etc., with a tenor of three to five years. Most of the cases are supported by underlined machinery or equipment with sufficient cashflow for the lease payment. Overall portfolio performance is satisfactory with no delinquent record.

Property Investment Business

The property investment business reported a 12.0% rise in revenue to HK\$104.0 million and was solely contributed by Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the "**Commercial Complex**") located in Xi'an. The average occupancy rate recorded around 97.0% in the Year which showed a slight increase of approximately 1.0% compared with the Previous Year. As a matter of fact, the occupancy throughout the Year has been consistently high due to its established status and successful promotion and sales program jointly organised with the tenants on regular basis.

* For identification purpose only

Financial Advisory Services Business

This is a new business segment for the Group. For the Year, MCM Group generated HK\$24.5 million revenue in the form of commission and management fees, which represented an increase of 329.8% over the Previous Year. MCM Group's core businesses include financial advisory and asset management licensed under types 1, 2, 4 and 9, and regulated by the Securities and Futures Commission of Hong Kong ("**SFC**"). MCM Group experienced a year of further growth and expansion, establishing its first corporate presence in China, and applying for a private equity licence with aim to start operations in 2019. MCM Group is building a strong brand associated with leading international financial services and innovation across China.

MCM Group closed over US\$34.5 million in capital raised for its corporate clients, working with companies across North American and Asia, and sourcing capital in China, Hong Kong, Korea, Mexico and Singapore. It advised corporate clients across various innovative industries, including artificial intelligence, cybersecurity, fintech solutions, healthcare and software business solutions. In addition, it facilitated secondary transactions in many late stage global technology enterprises, an area that it's growing into 2019, assisting existing shareholders find liquidity through its global network of institutional investors.

An exciting milestone was crossed as MCM Group launched its asset management business through its subsidiary, namely MCM Investment Partners Limited ("**MCMIP**") which in turn raised over US\$75.0 million in investor assets to deploy across a series of private investments. With this business launched, MCM Group can now provide our international investors golden investment opportunities. MCM Group has established key relationships with distinguished asset management firms such as CMB International Asset Management Limited, allowing MCMIP to establish meaningful dialogues with large pension funds and investors globally that are looking to deploy capital in Asia. We also managed to participate in landmark transactions like the pre-IPO placement of Xiaomi and investments into Da-Jiang Innovations and Grab.

FINANCIAL REVIEW

Profitability Analysis

For the Year, the Group's revenue was HK\$1,750.3 million, reflecting a significant increase of 39.2% from HK\$1,257.7 million in the Previous Year. Revenue contribution by segments comprised of: international trading of HK\$1,551.0 million (2018: HK\$1,115.9 million), property investment of HK\$104.0 million (2018: HK\$92.8 million), finance lease service of HK\$32.6 million (2018: 8.8 million), financial advisory services of HK\$24.5 million (2018: HK\$5.7 million), financial guarantee services of HK\$18.9 million (2018: HK\$17.0 million), logistics services of HK\$0.3 million (2018: HK\$0.9 million) and other revenue of HK\$19.0 million (2018: HK\$16.6 million).

Gross profit for the Year increased significantly to HK\$216.2 million, up 46.9% from HK\$147.2 million in the Previous Year. Also, gross profit margin increased slightly to 12.4% from 11.7% in the Previous Year.

The increase in both overall revenue and gross profit was mainly due to (i) a surge in contribution from international trading business; (ii) an increase in revenue from finance lease business and financial advisory business which commenced contribution to the Group since the second half of last financial year; and (iii) an increase in revenue generated from property investment business as there was a noticeable increment in per-unit rental and building management fee recorded by the Commercial Complex during the Year.

Other income, gains and losses recorded a gain of HK\$7.5 million (2018: HK\$70.4 million) for the Year, mainly attributable to interest income from bank deposit and amounts due from former subsidiaries and also write back of payables, which partially offset by the exchange loss arising from depreciation of Renminbi (“**RMB**”) against Hong Kong dollars during the Year.

Gain on fair value change of investment properties amounted to HK\$224.5 million (2018: HK\$161.0 million) for the Year. It was mainly attributable to a fair value change of the Commercial Complex, the CIC (as defined below) and the Chinlink•Worldport Integrated Logistics Park (“**Chinlink•Worldport**”).

Impairment losses on financial assets in the Year mainly represented provision made for the amounts due from former subsidiaries.

Administrative expenses amounted to HK\$132.8 million for the Year, representing an increase of HK\$29.4 million as compared with HK\$103.4 million of the Previous Year. The increase was mainly due to business expansion of the Group, for instance, through acquisition of MCM Group in the second half of the Previous Year.

Finance costs amounted to HK\$199.5 million for the Year, representing a significant increase of HK\$31.9 million as compared with HK\$167.6 million in the Previous Year. The increase was mainly due to (i) the non-cash imputed interest expenses of HK\$42.4 million (Previous Year: HK\$23.0 million) in total arising from the non-interest bearing loan from related companies and an obligation under a put option granted to a non-controlling shareholder of a non-wholly-owned subsidiary for the Year; (ii) interest in relation to 12.0% coupon bonds which were issued in December 2017; and 9.0% coupon bonds (“**9.0% Coupon Bonds**”) with principal amounts of HK\$200.0 million and HK\$150.0 million, which were issued in July 2017 and August 2017 respectively; (iii) interest related to a long-term loan of US\$41.0 million drawn down in April 2018; (iv) increase in trade finance costs owing to the expansion of international trading business; and (v) interest related to the fixed return on capital injection by Hanzhong Investment.

In respect of goodwill arising from the acquisition of MCM Group, after taking into accounts of the uncertainty of the capital market impacted by China-US trade war which emerged in May 2018, an impairment of HK\$10.2 million was made for the Year after thorough consideration.

Despite the increase in finance costs and administrative expenses during the course of business expansion and the impairment of goodwill, the Group managed to make a profit for the Year of HK\$17.2 million, primarily owing to the increase in revenue and gross profit, and a significant gain on fair value change of investment properties due to the steady growth of real estate market, especially in Xi’an City and Hanzhong City of Shaanxi Province, the PRC. For the Previous Year, the Group recorded a loss of HK\$29.1 million mainly due to a one-off non-cash loss arising from the valuation of 3.0% Convertible Bonds (as defined below) issued as consideration for acquisition of subsidiaries which hold the CIC and the associated shareholder’s loan.

Liquidity and Financial Resources

As at 31 March 2019, the bank balances and cash, pledged bank deposits and restricted deposits amounted to HK\$553.7 million in total, representing a decrease of HK\$149.9 million from HK\$703.6 million in the Previous Year. The decrease was mainly due to repayment of term loans during the Year.

As at 31 March 2019, the bank and other borrowings of the Group which were mainly denominated in United States dollars (“**US\$**”), HK\$ and RMB amounted to HK\$1,460.1 million (31 March 2018: HK\$1,095.7 million), representing an increase of HK\$364.5 million from that of 31 March 2018, of which HK\$1,010.6 million and HK\$449.5 million were repayable within one year and two to five years respectively.

The increase was mainly due to (i) a secured 2-year loan facility of US\$41.0 million with interest rate 10% per annum being drawn down for refinancing certain loan granted by a related company, for the purpose of acquisition of non-controlling interest in certain subsidiaries which hold the Commercial Complex; and (ii) loan of RMB120.0 million from Hanzhong Investment but in the form of capital injection in Financial Guarantee Company. Details of which are set out below:

On 1 March 2017 and 26 April 2017, Chinlink Alpha Limited (“**Chinlink Alpha**”) (a non-wholly-owned subsidiary of the Company) and Hanzhong City Hantai District Hanjiang Industrial Park Construction Investment Development Company Limited* (“**Hanjiang**”) (being an investing vehicle of Hantai District government) entered into a non-legally binding letter of intent and a co-operation agreement (“**Co-operation Agreement**”), respectively, in relation to the possible capital injection of RMB100.0 million (equivalent to approximately HK\$125.0 million) into the Financial Guarantee Company. As a result, the Financial Guarantee Company will be held directly as to approximately 67.0% by Chinlink Alpha (approximately 34.2% held indirectly by the Company) and approximately 33.0% by Hanjiang.

Subsequently, Hanzhong City government decided to carry out the capital injection into the Financial Guarantee Company through Hanzhong Investment and therefore the Co-operation Agreement was terminated on 17 May 2018. On the same date, Chinlink Alpha, Hanzhong Investment and the Financial Guarantee Company entered into a new financial guarantee co-operation agreement (the “**New Co-operation Agreement**”) in relation to the capital injection of RMB120.0 million (equivalent to approximately HK\$150.0 million) into the Financial Guarantee Company. In August 2018, Hanzhong Investment has fully injected capital of RMB120.0 million to the Financial Guarantee Company and the shareholding structure of the Financial Guarantee Company is held directly as to approximately 65.0% by Chinlink Alpha (approximately 33.2% held indirectly by the Company) and approximately 35.0% by Hanzhong Investment. Considering Hanzhong Investment is entitled to a fixed-5.0% annual return on its capital injection amount, the capital injection has the characteristic of loan. As confirmed with the auditor of the Company, it was classified as loan of the Group and the Financial Guarantee Company remains to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

* For identification purpose only

Details of the above transaction were set out in the announcements of the Company dated 1 March 2017, 26 April 2017 and 17 May 2018 respectively.

During the Year, 3.0% convertible bonds (“**3.0% Convertible Bonds**”) with principal amount of HK\$362.25 million were fully converted to the shares of the Company. The carrying amount of such 3.0% Convertible Bonds as at the conversion date amounted to HK\$287.8 million, together with the relevant convertible bonds equity reserve of HK\$317.4 million and deferred tax liabilities of HK\$12.7 million were transferred to share capital or share premium of the Company.

As at 31 March 2019, the Group recorded net current liabilities of HK\$968.8 million (31 March 2018: HK\$111.8 million) and the current ratio of the Group calculated as the Group’s current assets over its current liabilities was 0.49 (31 March 2018: 0.91). The setback in the current ratio of the Group was mainly attributable to (i) the significant increase in current liabilities as a result of reclassification of certain liabilities which were non-current liabilities as at 31 March 2018 as current as they will be due within twelve months after 31 March 2019. Such liabilities were 9.0% Coupon Bonds and loan from Industrial and Commercial Bank of China (Asia) Limited amounted to HK\$277.5 million as at 31 March 2018; and (ii) loan of RMB120.0 million from Hanzhong Investment but in form of capital injection in Financial Guarantee Company.

Share Capital

As at 31 March 2019, the authorised share capital of the Company was HK\$625.0 million (31 March 2018: HK\$625.0 million). There was no change in the authorised share capital of the Company during the Year.

As at 31 March 2019, the number of issued shares of the Company was 1,461,609,692 (31 March 2018: 683,719,250).

On 18 April 2018, an aggregate principal amount of HK\$362.25 million of 3.0% Convertible Bonds were fully converted into 641,150,442 shares at the conversion price of HK\$0.565 per conversion share. The carrying amount of such 3.0% Convertible Bonds as at the conversion date amounting to HK\$287.80 million, together with the relevant convertible bonds equity reserve of HK\$317.4 million and deferred tax liabilities of HK\$12.7 million, were transferred to share capital or share premium of the Company. On 27 September 2018, an aggregate of 136,740,000 placing shares were allotted and issued under general mandate to not less than six placees who are independent from the Company at the placing price of HK\$0.80 per placing share in accordance with the terms of the placing agreement entered into by the parties on 12 September 2018. The net proceeds from the placing amounted to approximately HK\$106.0 million and was fully utilised for repayment of debts of the Group.

Except for the above mentioned, there was no other change in the number of issued shares of the Company during the Year.

Gearing Ratio

The Group's gearing ratio as at 31 March 2019 was 0.60 (31 March 2018: 0.64) which was calculated based on the Group's total liabilities of HK\$3,132.3 million (31 March 2018: HK\$3,300.5 million) and the Group's total assets of HK\$5,218.1 million (31 March 2018: HK\$5,152.0 million). The slight improvement in the gearing ratio was mainly due to gain on fair value change of investment properties during the Year.

Foreign Currency Exposure

The Group's revenue and expenses were mainly denominated in HK\$, RMB and US\$. The pledged bank deposits were denominated in US\$, RMB and HK\$. Other bank deposits were dominated in HK\$, RMB, Macau Pataca ("MOP") or US\$. Other monetary assets and liabilities were mainly denominated in HK\$, RMB and US\$. During the Year, the exchange rate of RMB to HK\$ depreciated slightly and MOP to HK\$ was stable. As HK\$ is pegged to US\$, the Directors considered that the foreign currency risk of the Group was relatively low.

Contingent Liabilities and Charge on Assets

Save as disclosed in note 14 of this announcement, the Group did not have any significant contingent liabilities.

As at 31 March 2019, the Group had pledged (i) bank deposits of HK\$470.5 million to certain banks as securities in return for the banks' provision of loans to the Group's financial guarantee services customers and to support the Group's international trading business; (ii) assets with carrying value of HK\$3,177.6 million to secure obligations under finance leases and banking facilities; and (iii) equity interest of certain Group's wholly-owned subsidiaries to secure obligation under other borrowings amounted to HK\$329.6 million.

Capital Commitments

As at 31 March 2019, the Group had capital commitments contracted but not provided for amounting to HK\$127.4 million in respect of the development of Chinlink•Worldport and the CIC. Details of the commitments are set out in note 16 on page 17 of this announcement. The Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholder of the Company.

Events after the reporting period

The Group has no significant events after the reporting period.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

Major Risks

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

Economic Risk

The Group's core businesses and properties are located in Hong Kong and China. As such, the general policies and politics, and fiscal and monetary policies of the governments of Hong Kong and China may have a direct or indirect economic impact on the Group. The Group closely monitors the economic environment, evaluates the situation and adjusts its strategy as needed to mitigate these risks.

Credit Risk

The Group's exposure to credit risk results from trade debtors and loan receivables arising from the sale of goods, rendering of services to customers and providing loans to customers, and the provision of guarantees to lending banks in favour of customers obtaining loans provided by the lending banks. The Group has a credit policy in place and credit risk is monitored on an on-going basis. Individual credit assessments are carried out to determine the credit limits and terms which are reviewed on a regular basis.

Liquidity Risk

The Group manages its liquidity risk by closely monitoring its current and expected liquidity requirements, ensuring that there is sufficient liquid cash, committed bank facilities and/or loans from its controlling shareholders to meet its funding needs. In addition, the Group continuously monitors its compliance with loan covenants.

Compliance Risk

The Group recognises the risks of non-compliance with regulatory requirements. The Group conducts on-going reviews of laws and regulations affecting its operations and provides relevant training and guidance to staff.

Relationship with Employees, Customers and Suppliers

As at 31 March 2019, the Group had 48 employees in Hong Kong, 235 employees in China and 5 employees in the United Kingdom (31 March 2018: 50 employees in Hong Kong and 261 employees in China). Employees are remunerated based on their performance and relevant working experiences, taking into account the prevailing market conditions. Discretionary performance bonus may be awarded to employees with reference to the financial performance of the Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

The Group is dedicated to fostering close working relationships with customers and suppliers. The maintenance of good relationship with customers and suppliers is fundamental to the Group's operational performance and ongoing financial success.

Prospects

In the early part of 2018, the Chinese central government maintained its tight liquidity policy, applied stringent control on capital outflow and overseas investment aiming to rectify the massive drain on foreign exchange as a result of indiscriminate acquisitions of overseas assets in the previous years. However, from the second quarter of 2018, there was notable changes in the government's monetary policy as witnessed by the cut in the banks' reserve requirement ratio and lower benchmark interest rate to aim to release additional liquidity to China's banking system. Moreover, People's Bank of China also required the financial institutions to use the extra funding to provide loans to the SMEs. These measures are meant to retain the growth momentum of the economy, in response to the threats the Chinese economy is facing – investment slowdown, shrinking exports and declining GDP growth at home and the rising tension between China and the United States over trade and technology issues abroad. Besides, China also introduced fiscal stimulus program like tax cuts to encourage consumer spending and corporate investments. All in all, China is implementing more relaxing financial policies to counter the challenging external environment and declining growth in the local economy. Despite that, China is still cautious about the management of financial risk associated with the high leverage, asset inflation and speculative investment activities like real estates.

On the economic structure, China is undergoing a supply side structure reform with focus on elimination of excess capacity and seeking new impetus for the future economic and social development. Throughout the past 40 years of reform and modernisation, China has enjoyed a year-on-year high GDP growth rate of double digits, which was heavily depended on mass production and exports of low costs, labor intensive, high energy wastes, environment hazard, low value-added manufactured goods. China has come to accept a new normal of a medium growth based on new technology, new industry and new business model, employing green, renewable and recycled energies and resources, and manufacturing activities driven by automation, artificial intelligence and internet-of-things. To achieve such transformation of growth model, China has to strengthen its technological capabilities and places great emphasis on research and development, innovation, talents and entrepreneurship.

In response to the above challenges, risk and opportunity, the Group is adopting new strategies to modify its business positioning for the long-term substantiable growth. Chinlink is to become an integrated financial services and innovative solutions group, serving both the fast growing companies, like the SMEs, and the technology startups. Chinlink is devoted to building an ecosystem to foster the development of innovative business environment and entrepreneurship, and to help upgrade and transformation of the traditional local economies and industries. This is to be accomplished by offering a portfolio of financial services, including alternative finance, investment banking, financial advisory and asset management, and strategic partnerships with the provincial and municipal governments across China, the research and academic resources in China and overseas, and to bring in the Silicon Valley experiences to China through partnering with GSVlabs. GSVlabs is a Silicon Valley-based company in the United States with diversified interests in direct investment, private equity and startup incubation and acceleration. In March 2019, the Group became a strategic investor of GSVlabs, an incubator and accelerator that houses startups, provides acceleration programs and connections with big corporations, universities and investors.

For the financial services in China, Chinlink will focus more on taking advantage of a financial solution platform that is comprised of financial guarantee, finance lease, factoring and supply chain finance. It enables the Group to offer innovative and customised financial products and services to the SMEs in China. This is a key differentiation factor in front of strong competition and changing market condition. Although it is divided into business units according to different types of licences, they share the common credit control and risk management under the same customer management system. Only the business development units are separated by product lines but still under the same senior management team overseeing the entire financial group who has the overall portfolio management and bottom-line responsibility. This organisation structure facilitates the flow of information and sharing of business resources. Moreover, it encourages cross-selling financial products customised to clients' needs to achieve business synergy amongst the units. In the development of new business, the Group will be more focusing on companies and industries that are relevant to China's development strategy, including infrastructure, public utilities, advanced manufacturing, healthcare, hospital and medical and consumer products, etc. We have strong confidence on the continuing expansion of the Group's financial service businesses because of its unique positioning in providing comprehensive and innovative solutions to SMEs' needs, and China's emphasis on the importance of SME's contribution to the new development model of Chinese economy.

On the merchant banking area, MCM Group has diversified its business to lessen any dependency on Chinese capital outflows, responding to the strict capital controls in the country, but also looking to leverage increased global interest into China from other regions, as capital seeks to participate in the country's growth. We are re-directing some of our international investments back into China, reflecting this new reality. With greater political and economic uncertainty in the United Kingdom and United States, we expect to refocus our time and effort towards building our presence in China. With our application in process for a local private equity licence in China, which would be granted and regulated by the Asset Management Association of China, we will soon have the opportunity to extend our asset raising and management capabilities into RMB, focusing on supporting innovative enterprises across China. Finally, our recently signed partnership with GSVlabs will set the base for our focus on building and supporting the growing ecosystem of innovative startups in China, bringing best practices from Silicon Valley along with capital. We are greatly encouraged by the opportunities that lie by partnering with enterprises, municipal and provincial governments and investors to build platforms that support the innovation ecosystem in China.

Property Investment

Chinlink will continue to enjoy reliable income streams from its investment property portfolio. The Commercial Complex will continue to provide the Group with stable incomes in the years ahead because of established market position and successful operation. We can expect a reasonable year-on-year increase in total income and gross profit in line with the market trend but it would not be very significant. The Group has not decided on the development of the second phase. One more piece of investment property will commence business and contribution to the Group by the fourth quarter of 2019. It is an office and commercial complex named as Chinlink International Centre (the "**CIC**"). Situated at the heart of Xi'an Economic and Technological Development Zone ("**XET Development Zone**"), an important central business district of Xi'an other than Xi'an Hi-Tech Industries Development Zone, there are more and more financial companies as well as large foreign enterprises setting up offices

in XET Development Zone. CIC enjoys unique location advantage. It is highly accessible to the adjacent People's Government of Xi'an Municipality, XET Development Zone Management Committee, Xi'an North Railway Station (one of the largest railway stations in China), domestic and international airport and China (Shaanxi) Pilot Free Trade Zone. CIC has a total gross floor area ("**GFA**") of approximately 55,000 square metres that comprises of 25-storey high quality office tower with 34,000 square metres, 4-storey commercial complex with 8,000 square metres and car park space of 13,000 square metres. CIC will be available for occupation by the fourth quarter of 2019. Four office floors will be occupied by the Group's China regional headquarters and its finance services companies including the new private equity company setting up by MCM Group. Rest of the area are opened for lease. In May 2019, WeWork, the world's leading community, space and service provider, had signed a 10-year lease with CIC to take up GFA of approximately 6,648 square metres. This is the largest and second WeWork location in Xi'an so far aimed to provide Xi'an startups, SMEs and large corporations with collaborative workspace to its international standard. WeWork claims that CIC's international image, its design uniqueness, high-quality construction and the environmentally friendly and modern facilities all match perfectly with WeWork's positioning and image. This is a very strong validation of CIC as a quality property of the Group, projecting the Group's commitment to Xi'an and substantially enhanced the Group's image.

Since the soft opening of the Daminggong (Hanzhong) Building and Construction Materials Wholesale Centre in the Chinlink•Worldport in Hanzhong in March 2019, the Group is still recruiting new tenants with attractive offers aiming to boost up occupancy in short period of time. On the other hand, the Hanzhong Municipal government has designated Chinlink•Worldport as the location for the city's Chinese herbal and agriculture exchange (the "**Exchange**"). Chinlink will provide the land and be responsible for the operation and management of the Exchange while the municipal government will provide with the capital investment. Details of the co-operation terms and business operation model will be finalised by the end of 2019.

International Trading

The Group's international trading business has been very successful in the past years, especially in the trading of key electronic components. It is the key growth driver of the Group. Nevertheless, the mounting trade and technology disputes between China and the United States are disrupting the global supply chain, casting uncertainty over major international component manufacturers and their buyers in China. The Group has reservation on the prospect of this trading business and the possible risk involved. We will adopt a cautious approach to this line of business.

Also, this type of trading business is very much relying on the availability of sufficient banking facility. Should the economic situation continue to deteriorate as a result of external factors as mentioned, banks may become conservative in their credit policy which may eventually affect our ability to maintain the trading level as previous.

Innovative Solution Ecosystem

In December 2018, Chinlink was appointed by Shaanxi Provincial Department of Commerce to be the Commerce Representative Office in Hong Kong. This is a recognition of the Group's past efforts in promoting the business and financial connections between the Shaanxi Province and Hong Kong. For two consecutive years since 2017, the Group initiated two Shaanxi-Hong Kong financial co-operation forums hosted by the Shaanxi Provincial Department of Commerce, and attended by many Hong Kong and international financial heavyweights and personalities as well as Shaanxi banking and financial institutions and corporations. This year, similar type of forum will be held in coming September, but this time it will focus on innovation and technology, startup incubation and venture capital, still to be held by the Shaanxi Provincial Department of Commerce and Chinlink being the co-organiser, together with MCM Group and GSVlabs.

Xi'an, the capital of the Shaanxi Province, is regarded as a special place for its history and culture legacy, its location as the spearhead of the Belt and Road Initiative, and its future as a model city in China – a vibrant city designated as an experimental national reform driven by an innovation-oriented economy. This western Chinese city has traditionally lagged its coastal peers, but it is catching up on the back of its strategic position on the Silk Road and its strengths in innovation, research and development, and vast intellectual capital.

Xi'an is a home to over 60 universities and higher education institutions, many of them enjoyed high global and national ranking. In January 2019, Chinlink entered into a strategic co-operation agreement with the Science Park of the Xi'an Jiaotong University, a top university in Xi'an, to work together in the areas of incubation and acceleration, technology transfer and startup funding.

China is now entering the next stage of economic development building on intellectual capital and innovation, technology readiness, entrepreneurial and startup environment, and international linkage. Integrating a network of international innovation partners, Chinlink is set to build a bottom-up ecosystem to provide innovative solutions for early stage fast growing companies and established businesses in Xi'an and across China by stages. Working closely with municipal governments, Chinlink is ready to help foster the development of innovative business environment and entrepreneurship, and upgrade traditional local economies and industries.

With the support of the Shaanxi Provincial and Xi'an Municipal authorities, and the academic and research resources of Xi'an Jiaotong University Science Park, Chinlink will partner with GSVlabs to set up the first GSVlabs innovation centre in Xi'an to introduce the Silicon Valley acceleration model. This is part of GSVlabs global expansion plan, the Group's strategic investment in GSVlabs entitled the Group to participate in all GSVlabs' future China project. MCM Group on the other hand will offer fundraising, venture capital, private equity and corporate finance services to the ecosystem. This will become a strategic business positioning for Chinlink, we envisage to set up other innovative centres across China in the years ahead.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the year ended 31 March 2019, the Company has complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Weibin is the chairman and the managing director of the Company (the Company regards the role of its managing director to be the same as that of chief executive under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 March 2019.

REVIEW OF FINANCIAL STATEMENTS

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors namely, Ms. Lai Ka Fung, May (Chairman), Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 March 2019 and discussed the risk management and internal control and financial reporting matters.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

APPRECIATION

The Board would like to express its sincere appreciation to all the Group's investors, customers, partners and shareholders for their continuing support and would like to thank the staff of the Group for their invaluable contribution to the Group.

PUBLICATION OF ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange and the Company (<http://www.chinlinkint.com>).

The 2018/2019 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

By order of the Board of
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

Hong Kong, 4 July 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Weibin, Mr. Siu Wai Yip 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.