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 2020

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 2020 (the "**Year**"), together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
Continuing operations			
Revenue	*3*		
Goods and services		**371,937**	1,670,571
Rental		**34,209**	28,145
Interest			
– Other interest revenue		**19,352**	19,002
Total revenue		**425,498**	1,717,718
Cost of sales		**(280,798)**	(1,534,057)

* *For identification purpose only*

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

For the year ended 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Gross profit		**144,700**	183,661
Other income, gains and losses	5	**13,972**	6,220
Gain on fair value change of investment properties		**146,586**	224,546
Gain on fair value change of put option derivative		**4,694**	–
Allowance under expected credit loss model, net of reversal		**(6,723)**	(24,518)
Impairment loss on goodwill		**(15,318)**	(10,161)
Share of profit of an associate		**935**	–
Selling and distribution costs		**(7,757)**	(9,777)
Administrative expenses			
– equity-settled share-based payments		**–**	(265)
– other administrative expenses		**(124,099)**	(108,760)
		(124,099)	(109,025)
Finance costs	6	**(236,252)**	(199,316)
(Loss) profit before tax		**(79,262)**	61,630
Income tax expense	7	**(39,774)**	(52,285)
(Loss) profit for the year from continuing operations		**(119,036)**	9,345
Discontinued operation			
(Loss) profit for the year from discontinued operation, net of income tax	15	**(11,830)**	7,811
(Loss) profit for the year	8	**(130,866)**	17,156
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(203,449)**	(187,262)
Share of exchange difference of an investment in an associate		**(1,658)**	–
Release of translation reserve upon disposal of a subsidiary		**(1,765)**	–
Total comprehensive expense for the year		**(337,738)**	(170,106)

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

For the year ended 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
(Loss) profit attributable to owners of the Company:			
– from continuing operations		**(119,152)**	14,005
– from discontinued operation		**(10,908)**	4,882
		(130,060)	18,887
Loss attributable to non-controlling interests			
– from continuing operations		**116**	(4,660)
– from discontinued operation		**(922)**	2,929
		(806)	(1,731)
		(130,866)	17,156
Total comprehensive expense attributable to:			
Owners of the Company		**(325,552)**	(157,628)
Non-controlling interests		**(12,186)**	(12,478)
		(337,738)	(170,106)
		HKcents	*HKcents*
(Loss) earnings per share attributable to owners of the Company from continuing and discontinued operations			
– Basic	*9*	**(8.90)**	1.38
– Diluted		**(8.90)**	1.38
		HKcents	*HKcents*
(Loss) earnings per share attributable to owners of the Company from continuing operations			
– Basic	*9*	**(8.15)**	1.03
– Diluted		**(8.15)**	1.03
		HKcents	*HKcents*
(Loss) earnings per share attributable to owners of the Company from discontinued operation			
– Basic	*9*	**(0.75)**	0.35
– Diluted		**(0.75)**	0.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment		**169,398**	53,064
Right-of-use assets		**20,250**	–
Investment properties		**3,859,215**	3,941,746
Goodwill		**17,237**	32,555
Interest in an associate		**69,064**	–
Deposit paid for land auction		**9,804**	10,495
Financial assets at fair value through profit or loss		**24,518**	15,880
Deposits		**3,158**	21,450
Finance lease receivables		**–**	220,640
		4,172,644	4,295,830
Current assets			
Inventories		**–**	12,992
Trade receivables	*11*	**34,011**	25,635
Trade receivables from related company	*11*	**161**	–
Loan receivables		**81,273**	87,067
Finance lease receivables		**–**	103,243
Factoring receivables		**95,913**	106,520
Other receivables, deposits and prepayments		**32,801**	33,110
Pledged bank deposits		**248,938**	470,519
Bank balances and cash		**25,382**	83,138
		518,479	922,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Current liabilities			
Trade payables	12	**12**	14,832
Other payables and accruals		**92,493**	68,206
Put option derivative		**4,064**	–
Loans from staff		**27,265**	23,891
Construction costs accruals		**154,522**	139,970
Receipts in advance		**17,479**	17,057
Lease liabilities		**9,961**	–
Contract liabilities		**26,950**	27,722
Deposits received from tenants and customers		**26,431**	24,559
Amounts due to related companies		**–**	166,431
Amounts due to directors		**18,494**	7,182
Amounts due to former subsidiaries		**9,164**	9,164
Provision for warranty		**70**	126
Financial guarantee contracts		**2,092**	4,409
Tax payable		**7,054**	10,119
Bank and other borrowings	13	**909,484**	1,010,649
9.0% coupon bonds		**105,375**	366,656
6.5% coupon bonds		**205,903**	–
13.0% coupon bonds		**251,866**	–
Obligations under finance leases		**–**	55
		1,868,679	1,891,028
Net current liabilities		**(1,350,200)**	(968,804)
Total assets less current liabilities		**2,822,444**	3,327,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
12.0% coupon bonds		**–**	120,321
Obligation arising from a put option to a non-controlling shareholder		**–**	87,089
Deferred tax liabilities		**307,416**	295,145
Receipts in advance		**2,761**	6,254
Contract liabilities		**4,227**	8,297
Lease liabilities		**10,568**	–
Bank and other borrowings	13	**551,197**	449,522
Amounts due to related companies		**184,879**	274,593
Obligations under finance leases		**–**	89
		1,061,048	1,241,310
		1,761,396	2,085,716
Capital and reserves			
Share capital	14	**456,753**	456,753
Reserves		**1,278,064**	1,565,223
Equity attributable to owners of the Company		**1,734,817**	2,021,976
Non-controlling interests		**26,579**	63,740
		1,761,396	2,085,716

Notes:

1. 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.

For the year ended 31 March 2020, the Group incurred a net loss from continuing operations of approximately HK$119,036,000 and, as of 31 March 2020, the Group had net current liabilities of approximately HK$1,350,200,000, while its bank balances and cash amounted to approximately HK$25,382,000 only as at 31 March 2020. In addition, the Group had outstanding bonds and borrowings of approximately HK$563,144,000 and HK$909,484,000 respectively which were due for repayment or renewal in the next twelve months after 31 March 2020. The Group has defaulted in repayment of bonds and borrowings of approximately HK$251,866,000 and HK$408,765,000 respectively during the year ended 31 March 2020 and as at 31 March 2020 these amounts remain past due and outstanding.

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) Subsequent to the end of the reporting period, the Group has obtained waiver letters from financial institutions for certain bonds and borrowings with outstanding amounts of approximately HK$251,866,000 and HK$347,362,000 respectively as at 31 March 2020 which were past due and in default of repayment as at 31 March 2020. In addition, the lenders of borrowings of approximately HK$47,757,000 which were immediately repayable on demand as at 31 March 2020 due to cross-default have agreed that the Group can follow the original contractual repayment schedule;

(ii) the Group has fully settled borrowings of approximately HK$13,646,000 subsequent to the reporting period;

(iii) the Company has actively negotiated with banks and financial institutions to secure the renewals of the Group's bonds and borrowings to meet its liabilities when fall due;

(iv) the Group has received a written confirmation dated 30 June 2020 from Mr. Li, the ultimate controlling shareholder, that he will provide continuing financial support 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 repayment of 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;

(v) the Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations; and

(vi) the Group may consider to dispose non-core business and/or financial assets if required.

1. BASIS OF PREPARATION (Continued)

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 plans not be able to be implemented 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 Group'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.

2. 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term interest in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC-4) Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.1% to 6.0%.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The following table reconciles the operating lease commitments as disclosed in note 17 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	**12,828**
Lease liabilities discounted at relevant incremental borrowing rates	**12,415**
Less: Recognition exemption – short-term leases	**(695)**
Less: Practical expedient-leases with lease term ending within 12 months from date of initial application	**(4,525)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**7,195**
Add: Obligations under finance leases recognised at 31 March 2019	**144**
Lease liabilities as at 1 April 2019	**7,339**
Analysis as:	
Current	**3,711**
Non-current	**3,628**
	7,339

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Notes	1 April 2019 *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		7,195
Amount included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	*(a)*	150
Add: Adjustments on rental deposits at 1 April 2019	*(b)*	35
		7,380
By class:		
Office premises and staff quarters		7,140
Motor vehicle		150
Office equipment		90
		7,380

Notes:

(a) In relation to assets previously under finance leases which were classified as property, plant and equipment as at 31 March 2019, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$150,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$55,000 and HK$89,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$35,000 was adjusted to refundable rental deposits paid and right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amount previously reported at 31 March 2019	Adjustments	Carrying amount under HKFRS 16 at 1 April 2019
		HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Non-current assets				
Property, plant and equipment	*(a)*	**53,064**	**(150)**	**52,914**
Right-of-use assets	*(a) & (b)*	**–**	**7,380**	**7,380**
Current assets				
Other receivables, deposits and prepayment	*(b)*	**33,110**	**(35)**	**33,075**
Current liabilities				
Lease liabilities	*(a)*	**–**	**3,711**	**3,711**
Obligation under finance leases	*(a)*	**55**	**(55)**	**–**
Non-current liabilities				
Lease liabilities	*(a)*	**–**	**3,628**	**3,628**
Obligation under finance leases	*(a)*	**89**	**(89)**	**–**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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 17	Insurance Contracts[1]
Amendments to HKFRS 9, HKAS 9 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concession[5]

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

[2] Effective for annual periods beginning on or after a date to be determined.

[3] 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.

[4] Effective for annual periods beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 June 2020.

3. REVENUE

Continuing operations:

(i) Disaggregation of revenue from contracts with customers

	2020	2019
	HK$'000	*HK$'000*
Types of goods and services:		
Revenue from international trading		
– grain and oil products	**34**	182
– electronic products	**267,479**	1,550,844
Revenue from property management services	**65,171**	75,819
Revenue from financial guarantee services	**19,961**	18,919
Revenue from financial advisory services		
– financial advisory services	**13,133**	22,240
– asset management services	**6,147**	2,218
Revenue from logistics services	**12**	349
Total revenue from contracts with customers	**371,937**	1,670,571
Add:		
Rental income under HKFRS 16/HKAS 17	**34,209**	28,145
Interest income under HKFRS 9	**19,352**	19,002
Total revenue	**425,498**	1,717,718
Geographical markets:		
Hong Kong and Macau	**286,760**	1,575,302
PRC	**85,177**	95,269
Total	**371,937**	1,670,571
Timing of revenue recognition:		
A point in time	**280,646**	1,573,266
Over time	**91,291**	97,305
Total	**371,937**	1,670,571

3. **REVENUE (Continued)**

Continuing operations: (Continued)

(i) Disaggregation of revenue from contracts with customers (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 2020.

	Revenue disclosed in segment information *HK$'000*	**Adjustment of rental income** *HK$'000*	**Adjustment of interest income** *HK$'000*	**Revenue from contracts with customers** *HK$'000*
Segment				
International trading	**267,513**	**–**	**–**	**267,513**
Property investment	**99,380**	**(34,209)**	**–**	**65,171**
Financial guarantee services	**19,961**	**–**	**–**	**19,961**
Financial advisory services	**19,280**	**–**	**–**	**19,280**
Logistics services	**12**	**–**	**–**	**12**
Revenue for reportable segment	**406,146**	**(34,209)**	**–**	**371,937**
Unallocated revenue	**19,352**	**–**	**(19,352)**	**–**
Total	**425,498**	**(34,209)**	**(19,352)**	**371,937**

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 disclosed in segment information *HK$'000*	Adjustment of rental income *HK$'000*	Adjustment of interest income *HK$'000*	Revenue from contracts with customers *HK$'000*
Segment				
International trading	1,551,026	–	–	1,551,026
Property investment	103,964	(28,145)	–	75,819
Financial guarantee services	18,919	–	–	18,919
Financial advisory services	24,458	–	–	24,458
Logistics services	349	–	–	349
Revenue for reportable segment	1,698,716	(28,145)	–	1,670,571
Unallocated revenue	19,002	–	(19,002)	–
Total	1,717,718	(28,145)	(19,002)	1,670,571

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 2018 as a new operating and reportable segment reported to the CODM.

The Group's operating and reportable segments under HKFRS 8 "Operating segments" from continuing operations 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) Financial advisory services – provision of financial advisory and asset management services

(v) Logistics services – provision of logistics services

During the year ended 31 March 2020, the operating segments of financial lease services was classified as discontinued operation after they have been disposed of on 17 December 2019. The discontinued operation has resulted in a change in the Group's structure and therefore its composition of reporting segments. Details of discontinued operation are described in note 15. The segment information report below does not include carrying amounts from the discontinued operation during the year ended 31 March 2020.

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 from the continuing operations:

	Year ended 31 March 2020		Year ended 31 March 2019	
	Segment revenue *HK$'000*	**Segment profit (loss) for the year** *HK$'000*	Segment revenue *HK$'000*	Segment profit (loss) for the year *HK$'000*
International trading	**267,513**	**3,643**	1,551,026	35,805
Property investment	**99,380**	**100,177**	103,964	227,796
Financial guarantee services	**19,961**	**15,258**	18,919	13,392
Financial advisory services	**19,280**	**(31,244)**	24,458	(32,214)
Logistics services	**12**	**(407)**	349	(1,444)
Revenue and result for reportable segment	**406,146**	**87,427**	1,698,716	243,335
Unallocated revenue	**19,352**		19,002	
Total	**425,498**		1,717,718	
Unallocated revenue		**19,352**		19,002
Unallocated income, gains and losses		**13,972**		6,220
Unallocated impairment losses on financial assets		**(4,681)**		(23,147)
Unallocated equity-settled share-based payments		**–**		(154)
Unallocated gain on fair value change of investment properties		**110,796**		60,172
Unallocated gain on fair value change in put option derivative		**4,694**		–
Share of profit of an associate		**935**		–
Unallocated corporate expenses		**(75,505)**		(44,482)
Finance costs		**(236,252)**		(199,316)
(Loss) profit before tax		**(79,262)**		61,630

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) and in put option derivative, 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

	2020 *HK$'000*	2019 *HK$'000*
Continuing operations		
Other income		
Interest income	**4,700**	8,907
Imputed interest income from amounts due from former subsidiaries	**–**	2,172
	4,700	11,079
Other gains and losses		
(Loss) gain on disposal of property, plant and equipment	**(4)**	273
Net foreign exchange gain (loss)	**4,960**	(13,992)
Gain on non-substantial modification of financial liabilities measured at amortised cost, net included in other income, gains and losses	**2,592**	–
Loss on extinguishment of coupon bond	**(1,533)**	–
Gain on fair value change of financial assets at FVTPL, net	**19**	853
Realised gain from financial assets at FVTPL	**2,670**	–
Write-off of payables	**–**	8,132
Others	**568**	(125)
	9,272	(4,859)
	13,972	6,220

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings	**133,753**	100,550
Effective interest expense on 3.0% convertible bonds	**–**	3,328
Effective interest expense on 9.0% coupon bonds	**22,810**	42,189
Effective interest expense on 6.5% coupon bonds	**11,983**	–
Effective interest expense on 12.0% coupon bonds	**5,851**	15,486
Effective interest expense on 13.0% coupon bonds	**19,516**	–
Imputed interest expense from amounts due to former subsidiaries	**–**	1,171
Imputed interest expense from amounts due to related companies	**33,561**	31,656
Imputed interest expense from obligation arising from put option	**8,122**	10,696
Interest on lease liabilities/obligation under finance lease	**656**	34
Total finance costs	**236,252**	205,110
Less: Amount capitalised in investment properties under construction	**–**	(5,794)
	236,252	199,316

There was no finance cost capitalised arose on the general borrowing pool during the year ended 31 March 2020 and 2019.

7. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Continuing operations:		
Current tax:		
Hong Kong	**366**	3,061
PRC	**6,942**	4,055
	7,308	7,116
Overprovision in prior years:		
Hong Kong	**(102)**	(83)
PRC	**(116)**	(1,344)
	(218)	(1,427)
Deferred tax	**32,684**	46,596
	39,774	52,285

8. (LOSS) PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Continuing operations:		
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**1,950**	2,919
Depreciation of property, plant and equipment	**5,103**	4,215
Depreciation of right-of-use assets	**6,690**	–
Loss on disposal of property, plant and equipment	**4**	–
Staff costs (including directors' emoluments)		
Salaries and other benefits	**56,790**	64,659
Retirement benefit scheme contributions	**4,559**	6,449
Equity-settled share-based payments *(Note)*	**–**	237
	61,349	71,345
Cost of inventories recognised as expenses	**280,798**	1,502,220
Operating lease rentals paid in respect of rented properties	**–**	10,892
Operating lease rentals paid in respect of office equipment	**–**	99
Expenses relating to short term lease and other lease with unit remaining lease term on or before 31 March 2020	**4,561**	–
Gross rental income from investment properties	**(34,209)**	(28,145)
Less: direct operating expenses incurred for investment properties that generated rental income	**4,269**	4,301
	(29,940)	(23,844)

Note: Amount excluded equity-settled share-based payments to consultants of HK$28,000 for the year ended 31 March 2019 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. (LOSS) EARNINGS PER SHARE

(a) Continuing and discontinued operations

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

(Loss) earnings

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(130,060)**	18,887

Number of shares

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,461,610**	1,364,689

(b) Continuing operations

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

(Loss) earnings

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(119,152)**	14,005

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

9. (LOSS) EARNINGS PER SHARE (Continued)

(c) Discontinued operation

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

(Loss) earnings

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(10,908)**	4,882

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

During the year ended 31 March 2020, 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.

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.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

11. TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED COMPANY

Trade receivables

	2020	2019
	HK$'000	*HK$'000*
Trade receivables		
– goods and services	**23,433**	28,003
– operating lease	**846**	112
Financial guarantee contracts	**13,516**	–
	37,795	28,115
Less: Allowance for expected credit losses	**(3,784)**	(2,480)
	34,011	25,635

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

Trade receivables (Continued)

As at 31 March 2020 and 2019, the carrying amounts of trade receivables (net of allowance for expected credit losses) from contracts with customers amounted to HK$33,205,000 and HK$25,523,000 respectively.

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

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**13,717**	16,489
31 – 90 days	**3,641**	8,744
> 90 days	**16,653**	402
	34,011	25,635

Trade receivables from related company

As at 31 March 2020, trade receivables from related company of HK$161,000 (net of allowance for expected credit losses of HK$1,000) 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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**–**	12,855
31 – 90 days	**–**	–
> 90 days	**12**	1,977
	12	14,832

The credit period on purchases of goods is usually from 1 month to 3 months.

13. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings, secured	**624,332**	822,100
Bank borrowings, unsecured	**–**	10,741
Other borrowings, secured	**401,887**	329,628
Other borrowings, unsecured	**424,501**	287,714
Bank overdraft	**9,961**	9,988
	1,460,681	1,460,171
Carrying amount repayable*		
– Within one year	**511,594**	1,006,983
– More than one year, but not exceeding two years	**540,929**	399,600
– More than two years, but not exceeding five years	**568**	49,922
– More than five years	**9,700**	–
	1,062,791	1,456,505
Carrying amount of the bank and other borrowings that contains a repayable on demand clause (shown under current liabilities)		
– Within one year	**60,528**	909
– More than one year, but not exceeding two years	**336,515**	942
– More than two years, but not exceeding five years	**847**	1,815
	1,460,681	1,460,171
Less: Amount due within one year or contains a repayable on demand clause shown under current liabilities	**(909,484)**	(1,010,649)
Amount shown under non-current liabilities	**551,197**	449,522

* *The amounts due are based on scheduled repayable dates set out in loan agreements.*

The banks overdraft carried interest at Hong Kong Prime Interest Rate (2019: Hong Kong Prime Interest Rate) per annum.

As at 31 March 2020, the Group's variable-rate bank borrowings of HK$188,127,000 (2019: HK$832,841,000) carries interest rate at Hong Kong Interbank Offer Rate ("**HIBOR**") plus 2.5% or London Interbank Offer Rate ("**LIBOR**") plus 3.5% or based rate fixed by People's Bank of China ("**PBOC Rate**") plus a premium per annum (2019: HIBOR plus 2.5%/3.75% or Hong Kong deposit rate plus 0.5% or LIBOR plus 2%/3.5% or based rate fixed by PBOC Rate plus a premium per annum).

As at 31 March 2020, the Group's fixed-rate bank borrowings of HK$436,205,000 (2019: Nil) carries at a fixed-rate of 8.5% per annum.

As at 31 March 2020, other borrowings amounted to HK$401,887,000 is secured by equity interest of certain Group's wholly owned subsidiaries. The borrowing carries at a fixed-rate 9% and 20% per annum and is repayable on 6 November 2020 and 14 August 2021.

13. BANK AND OTHER BORROWINGS (Continued)

As at 31 March 2020, the remaining other borrowings are unsecured, carries interest at a fixed-rate of 5.0% to 18.0% per annum (2019: a fixed-rate of 5.0% to 18.0% per annum) and are repayable at maturity dates ranged from 1 April 2020 to 31 December 2022 (2019: 2 April 2019 to 3 April 2020).

As at 31 March 2020, unsecured other borrowings included an amount of HK$139,052,000 (equivalent to RMB127,510,000) which represents the capital injection in the form of registered capital and capital reserve into Shaanxi Chinlink Financial Guarantee Limited ("**Chinlink Financial Guarantee**") by 漢中市投資控股集團有限公司 ("**Hanzhong Investment**") pursuant to a cooperation agreement entered into between Chinlink Financial Guarantee, Hanzhong Investment and Chinlink Alpha on 17 May 2018. Chinlink Financial Guarantee was wholly-owned by Chinlink Alpha before the capital injection and was held as to 65% by Chinlink Alpha and 35% by Hanzhong Investment after the capital injection.

According to the cooperation agreement, Chinlink Financial Guarantee shall distribute profit to Hanzhong Investment equivalent to 5.0% per annum of its capital injected. If the profit distribution of the year is less than that return, Chinlink Alpha or its nominated third party shall compensate the difference in the form to be agreed between the parties. Other than the 5.0% per annum profit distribution to Hanzhong Investment, all profit and reserves of Chinlink Financial Guarantee shall belong to the Group.

If there is a change in national policy or material adverse change in the business, assets, prospects, operation or financial condition in Chinlink Financial Guarantee, or if there is a material breach of the cooperation agreement which has not been rectified within 14 working days after notification, the cooperation agreement may be terminated and Hanzhong Investment can demand repayment. The total amount payable to Hanzhong Investment shall not exceed the actual total capital contributed by Hanzhong Investment, or Chinlink Alpha can acquire the 35% shareholding of the Chinlink Financial Guarantee held by Hanzhong Investment based on the total capital contributed by Hanzhong Investment.

Based on the above, the amount injected by Hanzhong Investment is classified as other borrowing under current liability.

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank and other borrowings are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Effective interest rate:		
Fixed-rate borrowings	**5.00% – 20.00%**	5.00%–18.00%
Variable-rate borrowings	**4.64% – 7.48%**	1.47%–7.13%

At 31 March 2020, the variable-rate bank borrowings of approximately HK$188,127,000 (2019: HK$832,841,000) are secured by the Group's property, plant and equipment with carrying value of HK$35,942,000 (2019: HK$39,039,000) and investment properties with fair value of HK$2,986,151,000 (2019: HK$3,138,571,000).

14. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Ordinary shares of HK$0.3125 each:		
Authorised		
At 1 April 2018, 31 March 2019 and 31 March 2020	2,000,000,000	625,000
Issued and fully paid		
At 1 April 2018	683,719,250	213,662
Shares issued on conversion of 3.0% convertible bonds (Note i)	641,150,442	200,360
Placing of shares (Note ii)	136,740,000	42,731
At 31 March 2019 and 31 March 2020	1,461,609,692	456,753

Note i: During the 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 ii: 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.

15. DISCONTINUED OPERATION

On 12 December 2019, Chinlink Mega Limited ("**Chinlink Mega**"), an indirect wholly-owned subsidiary of the Company, and Xi'an Qujiang Cultural Financial Holdings* ("**Xi'an Qujiang Cultural**") entered into the disposal agreement, pursuant to which Chinlink Mega agreed to sell and Xi'an Qujiang Cultural agreed to acquire 37.5% of the equity interest in Chinlink Finance Lease Company Limited ("**Finance Lease Company**") for a total cash consideration of about RMB93.2 million (equivalent to approximately HK$103.9 million).

15. DISCONTINUED OPERATION (Continued)

Upon completion on 17 December 2019, the Finance Lease Company was cease to be a subsidiary of the Company and become an associate of the Company. Details of which were set out in the announcements of the Company dated 12 December 2019.

	From 1 April 2019 to 17 December 2019 *HK$'000*	From 1 April 2018 to 31 March 2019 *HK$'000*
(Loss) profit for the period/year	**(2,460)**	7,811
Loss on disposal	**(9,370)**	–
(Loss) profit for the period/year from discontinued operation	**(11,830)**	7,811
Attributable to:		
Owners of the Company	**(10,908)**	4,882
Non-controlling interests	**(922)**	2,929
	(11,830)	7,811

Loss for the period/year from discontinued operation after (crediting)/charging:

	From 1 April 2019 to 17 December 2019 *HK$'000*	From 1 April 2018 to 31 March 2019 *HK$'000*
Interest income	**(6)**	(580)
Other gains	**(101)**	(721)
Depreciation of property, plant and equipment	**173**	238
Depreciation of right-of-use assets	**134**	–
Staff cost		
Salaries and other benefits	**2,844**	5,055
Retirement benefit scheme contributions	**251**	298
Operating lease rental paid in respect of rented properties	**–**	223
Loss on termination of lease	**112**	–

The net cashflow incurred by the discontinued operation are as follows:

	From 1 April 2019 to 17 December 2019 *HK$'000*	From 1 April 2018 to 31 March 2019 *HK$'000*
Net cash inflow (outflow) from operating activities	**1,525**	(122,032)
Net cash outflow from investing activities	**(6)**	(6)
Net cash (outflow) inflow from financing activities	**(379)**	22,966
Net cash inflow (outflow) in cash generated from discontinued operation	**1,140**	(99,072)

15. DISCONTINUED OPERATION (Continued)

Analysis of the results of the discontinued operation is set out below:

	From 1 April 2019 to 17 December 2019	From 1 April 2018 to 31 March 2019
	HK$'000	*HK$'000*
Revenue	**28,213**	32,568
Cost of sales	**–**	–
Gross profit	**28,213**	32,568
Other income, gains and losses	**107**	1,301
Administrative expenses		
– other administrative expenses	**(28,736)**	(23,766)
Finance costs	**(613)**	(145)
(Loss) profit before taxation	**(1,029)**	9,958
Income tax expenses	**(1,431)**	(2,147)
(Loss) profit for the period/year from discontinued operation	**(2,460)**	7,811
Other comprehensive expense		
Item that maybe subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	**(4,461)**	(12,816)
Total comprehensive expense	**(6,921)**	(5,005)
(Loss) profit attributable to:		
Owners of the Company	**(1,538)**	4,882
Non-controlling interests	**(922)**	2,929
	(2,460)	7,811
Total comprehensive expense attributable to:		
Owners of the Company	**(4,326)**	(3,128)
Non-controlling interest	**(2,595)**	(1,877)
	(6,921)	(5,005)

15. DISCONTINUED OPERATION (Continued)

The major classes of assets and liabilities over which control was lost:

	As at 17 December 2019 ***HK$'000***
Property, plant and equipment	**454**
Finance lease receivables	**302,237**
Other receivables, deposits and prepayments	**90**
Bank balances and cash	**2,131**
Other payables and accruals	**(14,862)**
Tax payable	**(752)**
Bank and other borrowings	**(10,151)**
Net assets disposed of	**279,147**
Loss on disposal of Chinlink Finance Lease:	
Consideration received	**103,939**
Fair value of interest retained as an associate	**69,787**
Non-controlling interest	**103,125**
Less: fair value of put option derivative recognised at disposal date	**(8,839)**
	268,012
Less: net assets disposed of	**(279,147)**
Less: release of translation reserve	**1,765**
	(9,370)
Net cash inflows arising on disposal:	
Consideration received	**103,939**
Less: bank balances and cash disposed of	**(2,131)**
	101,808

16. CONTINGENT LIABILITIES

Corporate guarantee

	2020	2019
	HK$'000	*HK$'000*
Guarantee given to banks in respect of financial guarantee services provided to:		
– Independent third parties	**477,971**	465,211
– Related parties	**5,453**	5,837
	483,424	471,048

17. 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
	HK$'000
Within one year	9,189
In the second to fifth year inclusive	3,639
	12,828

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
	HK$'000
Within one year	16,855

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

18. CAPITAL COMMITMENTS

	2020	2019
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in connection with the investment properties under construction	**45,077**	127,376

19. COMPARATIVE FIGURE

The comparative statement of profit or loss has been restated as if the operations discontinued during the current year have been discontinued at the beginning of the comparative year.

In addition, the Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the approach, comparative information is not restated.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year under review, the Group experienced a highly challenging business environment overclouded by a slowdown of the Chinese economic growth and tight liquidity in the financial market, the unsettled trade tensions, and sometimes political jitters between the United States of America (the "**US**") and the People's Republic of China (the "**PRC**" or "**China**"), and the unabated social disturbances in Hong Kong. Yet the most massive blow undoubtedly came from the unprecedented Coronavirus Disease 2019 ("**COVID-19**") pandemic outbreak occurred in the last quarter of the Year. All these negative factors have direct or indirect ramifications to the Group's business performance during the Year.

During the Year under review, the Group recorded a total revenue of HK$425.5 million, represented a significant drop of 75.2% compared with the year ended 31 March 2019 (the "**Previous Year**"). However, the overall gross profit margin improved notably to 34.0% due to the significant drop of revenue from a low gross profit margin segment, international trading.

Out of the Group's overall business, the international trading segment suffered the most. The Group's trading business enjoyed substantial growth in the last few years by specialising in the trading of critical electronic components which are widely used by the Chinese manufacturers in making digital electronic products like smartphones, data storage and other novel electronic gadgets. There have been robust demand for these products due to technology advancement and growing worldwide demand. However, these products became highly vulnerable under the ongoing US-China trade tensions, many Chinese factories started to scale down their capacities or reduce their component purchases. It was further aggregated by the temporary factory closures and the shrinking in worldwide consumption of electronic gadgets because of the COVID-19 pandemic. Therefore the Group had taken a very cautious approach in the Year to minimise its investment in this segment and focused on nurturing other businesses which has lesser risk exposure to trade conflict and better return in long-run. As a result, there was a significant decline in this segment's revenue and profit.

The Group's alternative finance businesses operated in Shaanxi Province comprised of financial guarantee, finance lease and factoring. The overall performance of this business during the Year was mostly on track with last year. However, the Group encountered significant difficulties expanding the leasing and guarantee portfolios through leveraging its capital because of the tight liquidity both in the capital market and the banking sectors. Under such circumstance, the Group decided to divest the majority interest in the Finance Lease Company. On 12 December 2019, Chinlink Mega, an indirect wholly-owned subsidiary of the Group, and Xi'an Qujiang Cultural (which is ultimately owned by a PRC government authority) entered into a disposal agreement (the "**Disposal Agreement**"), according to which Chinlink Mega, the holding company of the Finance Lease Company, agreed to sell to and Xi'an Qujiang Cultural agreed to acquire 37.5% of the equity interest in the Finance Lease Company for a total cash consideration of about RMB93.2 million (equivalent to approximately HK$103.9 million) (the "**Disposal**"). Upon completion of the transaction ("**Completion**") at end of December 2019, Chinlink Mega holds 25.0% equity interest of the Finance Lease Company and the Finance Lease Company ceased to be a subsidiary of the Group and become an associate of the Group. Xi'an Qujiang Cultural has diversified investments in financial services. The Group is exploring other synergies in working with them on other finance-related projects.

Under the US-China trade tensions and the Hong Kong protest, the macro environment was very volatile which affected the investment appetite, however, MCM Holdings Limited and its subsidiaries (collectively "**MCM Group**") was able to maintain their performance by bringing down the cost.

The COVID-19 pandemic caused different degree of impact to the Group's investment property businesses. The Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the "**Commercial Complex**") was closed for a few weeks to avoid the virus outbreak in the shopping mall. One-month free rental will be granted to the tenants in the coming financial year. In November 2019, Chinlink engaged a subsidiary of Landsea Green Properties Co., Ltd (HKSE Stock Code: 106), a famous real estate developer in China and well-known for its green building technologies and vertically integrated business capabilities, as the project development manager and sales and marketing agent for the phase two development of the Commercial Complex (the "**Phase Two Development**"). The foundation works of the Phase Two Development started earlier in the year. It was delayed for a few months because of the virus but resumed in April 2020.

The Chinlink•Worldport Integrated Logistics Park ("**Chinlink•Worldport**") in Hanzhong City of Shaanxi Province was still in trial operation and did not generate income during the Year. In September 2019, Hanzhong Tiannong Chinese Pharmacentical Development Company Limited*（漢中天農漢藥產業發展有限公司）("**Hanzhong Tiannong**") was established. It is a joint venture between Chinlink and Hanzhong Municipal Government which Chinlink indirectly owned as 66.0% of the equity interest and as the controlling shareholder of the joint venture. Hanzhong Tiannong is mandated to transform and upgrade Hanzhong's agricultural and Chinese herbal medicine industries. With strong government backing, the primary objective of Hanzhong Tiannong is to enhance the Hanzhong traditional Chinese herbal medicine industry's farming and manufacturing technologies to world standard qualifying for China and worldwide markets. Hanzhong is one of China's historical Chinese herbal medicine farming bases, but for all these years, it is still not able to build an advanced industry infrastructure and supply chain. In October 2019, the Hanzhong Green Agricultural Products & Chinese Herbal Medicine Exhibition & Exchange Centre (the "**Hanzhong Exhibition & Exchange Centre**") was opened. Apart from being an exhibition venue to showcase Hanzhong's high quality agricultural and Chinese herbal medicine products, Hanzhong Exhibition & Exchange Centre will also install with an online exchange platform aimed to promote domestic and exports sales of Chinese herbal medicine products. In July 2019, Chinlink organised a Cooperative Forum on Chinese Medicine in Japan, with support from governments of Shaanxi Province and Hanzhong City, and the participation of local Chinese herbal medicine and pharmaceutical companies. There was in-depth discussion with the Japanese business experts on important subjects like Chinese medicine intermedium extraction standard, inspection and testing methods, supply chain optimisation, and GAP digitisation implementation. The Group plays a vital role in the strategic development of the local industry by connecting to an international business network.

On 23 September 2019, the Group had held a pre-opening ceremony of the Chinlink International Centre (the "**CIC**") in Xi'an. Being a new innovative financial landmark in Xi'an Economic and Technological Development Zone, the Group was honoured to have local senior government officials to officiate the ceremony. The Group targets the first batch of tenants would move in the third quarter of 2020. Currently, around 85.0% of the lettable area has been leased.

Segmental Performance

International Trading Business

For the Year, the international trading business recorded a 82.8% drop in revenue to HK$267.5 million. During the Year, the international trading business was facing lots of challenges that resulted from the US-China trade tensions. The global supply chains are at risk as the world's two biggest economies threaten to decouple, and there is no sign that the situation will improve in the near-term. The trading environment was further imperilled in the last quarter of the Year by the unpreceded COVID-19 pandemic which has a significant impact on all aspects of the economy, and it causes a slowdown in world trade, disruption in manufacturing and global supply chains. During the Year, the Group has been taking a conservative approach to minimise the risk exposure, which leads to a significant drop in turnover. The Group expects the impact of the trade tensions and COVID-19 pandemic will last for some time. Therefore, the Group does not expect there will be a notable improvement in business performance in the near-term.

Financial Guarantee Services Business

The Group generated the revenue of HK$20.0 million during the Year represented a slight increase of 5.5% compared with the Previous Year. The gross profit margin remained high at 100% during the Year. The total outstanding guarantee amount was RMB443.3 million as of the end of the Year as compared with RMB403.5 million for the Previous Year.

Property Investment Business

The property investment business remains as an essential income driver of the Group. The property investment business reported a 4.4% drop in revenue to HK$99.4 million and entirely contributed by the Commercial Complex located in Xi'an. The average occupancy rate dropped slightly to 92.6% due to early termination of tenancy of a tenant who occupied approximately 4,000 square metres. Under the influence of the COVID-19 pandemic, the Commercial Complex was closed for weeks following the local government's regulations and a one-month free rental will be given to tenants who were being affected. The financial impact will reflect in the next financial year.

Financial Advisory Services Business

For the Year, MCM Group recorded a slight drop in revenue to HK$19.3 million, which was in the forms of commission and management fees. 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. During the Year, MCM Group has continued to build its success in placements, placing over US$50 million in capital for its clients, as of 31 March 2020, with mandates for over US$200 million active for raising into the balance of 2020. In our asset management arm, MCM Investment Partners Limited ("**MCMIP**"), our assets under management averaged around US$50 million, with growth in several of our existing co-investment private venture funds. In parallel, MCM Group has managed to streamline its operations to better weather challenging macroeconomic conditions brought about by the US-China trade tensions and the Hong Kong protests. It brought down costs significantly, reducing total costs from HK$46 million in the Previous Year to under HK$35 million in the Year. Considering the challenging environment, this further highlighted the resilience of the business model to adapt to different environments, which is beneficial considering the impact of COVID-19 pandemic into the balance of 2020.

Logistics Services Business

For the Year, the logistics services segment generated the revenue of HK$12,000. This segment is ancillary to the Group's international trading and financial services businesses. Therefore, it was only operating at a minimal scale and did not constitute a material profit centre.

Discontinued Operation – Finance Lease Services Business

The finance lease service business recorded a significant drop in revenue to HK$28.2 million during the Year due to the Disposal during the Year. The revenue from the Finance Lease Company was no longer consolidated after the Disposal. The finance lease service business is a capital intensive business, even with Zhong Jinlv Investment Holding Company Limited* ("**Zhong Jinlv**"), a subsidiary of a state-owned enterprise, namely Shaanxi Tourism Group Company Limited* joined the Finance Lease Company as the non-controlling shareholder in 2017. Further on 12 December 2019, Chinlink Mega agreed to sell 37.5% equity interest in the Finance Lease Company to Xi'an Qujiang Cultural. The Group believes the transaction can help reduce the debt level and finance costs of the Group, and strengthen the financial position of the Group. Upon completion of the transaction, Chinlink Mega holds 25.0% of the equity interest in the Finance Lease Company and the Finance Lease Company is no longer to be a subsidiary of the Group and becomes an associate of the Group.

FINANCIAL REVIEW

Profitability Analysis

Upon completion of the Disposal, the financial results of the Finance Lease Company for the year before Disposal and for the Previous Year were reclassified to discontinued operations and the financial statements for the Previous Year were restated. For the Year, the Group's revenue from continuing operations was HK$425.5 million, reflecting a significant decrease of 75.2% from HK$1,717.7 million (restated) in the Previous Year. Revenue contribution by segments comprised of: international trading of HK$267.5 million (2019: HK$1,551.0 million), property investment of HK$99.4 million (2019: HK$104.0 million), financial advisory services of HK$19.3 million (2019: HK$24.5 million), financial guarantee services of HK$20.0 million (2019: HK$18.9 million), logistics services of HK$12,000 (2019: HK$0.3 million) and other revenue of HK$19.4 million (2019: HK$19.0 million).

Gross profit for the Year decrease significantly to HK$144.7 million, down 21.2 % from HK$183.7 million (restated) in the Previous Year. Gross profit margin increased significantly to 34.0% from 10.7% (restated) in the Previous Year.

The decrease in both overall revenue and gross profit from continuing operations was mainly due to significant drop in revenue from international trading business and financial advisory business. Conversely, as international trading business had a low gross profit margin, the significant drop in revenue from international trading led to an increase in overall gross profit margin.

Other income, gains and losses recorded a gain of HK$14.0 million (2019: HK$6.2 million (restated)) for the Year, mainly attributable to (i) gain on non-substantial modification of financial liabilities measured at amortised cost; (ii) interest income from bank deposits; (iii) realised gain from financial assets at fair value through profit or loss; and (iv) foreign exchange gain from depreciation of United States dollars ("**US$**") against HK$ which resulted in decrease in financial liabilities denominated in US$, but partially offset by the exchange loss arising from the depreciation of Renminbi ("**RMB**") against HK$ during the Year. During Previous Year, the gain 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 RMB against Hong Kong dollars during Previous Year.

Gain on fair value change of investment properties amounted to HK$146.6 million (2019: HK$224.5 million) for the Year. It was mainly attributable to a fair value change of the Commercial Complex, the CIC and the Chinlink•Worldport. Such gain decreased significantly because after substantial gains in the past few years, the overall momentum of the real estate prices in Xi'an City and Hanzhong City of Shannxi Province in the PRC weakened. Also, real estate markets in China was adversely affected as the threat grows from the COVID-19 pandemic.

After Disposal, the Group just owned as 25% equity interests in the Finance Lease Company and the results the Finance Lease Company before and after Disposal was classified as discontinued operation of the Group and share of results of and an associate, respectively. During the Year, loss from discontinued operations (including loss on Disposal) amounted to HK$11.8 million (2019: a profit of HK$7.8 million (restated) and share of profit of an associate amounted to HK$0.9 million (2019: Nil)). For details, please refer to the section headed "Disposal of a Subsidiary" below.

Administrative expenses from continuing operations amounted to HK$124.1 million for the Year, representing an increase of HK$15.1 million as compared with HK$109.0 million (restated) of the Previous Year. The increase was mainly due to legal and professional fee incurred for the financing activities of the Group during the Year.

Finance costs from continuing operations amounted to HK$236.3 million for the Year, representing a significant increase of HK$37.0 million as compared with HK$199.3 million (restated) in the Previous Year. The increase was mainly due to (i) interest incurred for a two-year credit facility of US$48.7 million obtained during the Year; (ii) interest incurred for the 13.0% Coupon Bonds (as defined below) of US$30.0 million issued under the exchange offer which was completed in August 2019; and (iii) interest related to the fixed return on capital injection (which was made in August 2018) by a non-controlling shareholder of a non-wholly-owned subsidiary.

In respect of goodwill arising from the acquisition of MCM Group, after taking into accounts of the uncertain outlook of the capital market, especially the China market, impacted by China/US trade tensions which emerged in May 2018 and the adverse impact of the COVID-19 pandemic, a further impairment of HK$15.3 million was made for the Year after due consideration.

For the Year, the Group recorded a loss of HK$130.9 million mainly due to (i) the down turn of international trading business; (ii) a significant decrease in gain on fair value change of investment properties; (iii) an impairment loss on goodwill; and (iv) an increase in finance cost. In Previous Year, the Group recorded a profit 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.

Liquidity and Financial Resources

As at 31 March 2020, the bank balances and cash and pledged bank deposits amounted to HK$274.3 million in total, representing a decrease of HK$279.4 million from HK$553.7 million in the Previous Year. The decrease was mainly due to repayment of bank and other borrowings during the Year.

As at 31 March 2020, the bank and other borrowings of the Group which were mainly denominated in HK$, RMB and US$ amounted to HK$1,460.7 million (31 March 2019: HK$1,460.2 million), representing an increase of HK$0.5 million from that of 31 March 2019, of which HK$909.5 million and HK$551.2 million were repayable within one year and two to five years respectively.

Details of the significant financing activities completed during the Year (some of which had imposed specific performance obligations on the controlling shareholder of the Company which were subject to announcement disclosure under Rule 13.18 of the Listing Rules and requirements of disclosure in this announcement under Rule 13.21 of the Listing Rules) were as follows:

9.0% Coupon Bonds

9.0% coupon bonds issued on 25 July 2017 (the "**First 9.0% Coupon Bonds**") with aggregate principal amount of HK$200.0 million, unsecured, repayable on 25 July 2019 and interest bearing at 9.0% per annum, was partially repaid in the principal of HK$100.0 million during the Year. The maturity date of the remaining principal of HK$100.0 million was extended for one year pursuant to the deed of amendment signed on 25 July 2019; and

Another 9.0% coupon bonds issued in two tranches on 4 August 2017 and 25 August 2017 (the "**Second 9.0% Coupon Bonds**" together with the First 9.0% Coupon Bonds, collectively, the "**9.0% Coupon Bonds**") with aggregate principal amount of HK$150.0 million, unsecured, repayable on the day falling on the second anniversary of the issue date and interest bearing at 9.0% per annum, was fully repaid during the Year.

Pursuant to the terms of the instruments of the First 9.0% Coupon Bonds and Second 9.0% Coupon Bonds, Mr. Li Weibin ("**Mr. Li**") (being a controlling shareholder and an executive Director of the Company) should hold at least 51% of the beneficial interest in the Company carrying at least 51% of the voting right, failing which the 9.0% Coupon Bonds shall be immediately redeemable.

6.5% Coupon Bonds

During the Year, the Company issued 6.5% coupon bonds (the "**6.5% Coupon Bonds**"), in four tranches on 7 August 2019, 8 August 2019, 19 August 2019 and 6 September 2019 with aggregate principal amount of HK$200.0 million. The 6.5% Coupon Bonds are secured by the equity interests of certain subsidiaries, repayable on the day falling on the first anniversary of the issue dates, interest bearing at 6.5% per annum and guaranteed by Mr. Li. Pursuant to the terms of the instrument of the 6.5% Coupon Bonds, the Company has undertaken to ensure that Mr. Li and his associates shall not cease to own, directly or indirectly, at least 51% of the beneficial interest in the Company carrying at least 51% of the voting right. In the event of default, the 6.5% Coupon Bonds may become immediately due and payable at their principal amount, together with accrued interest. Details of the 6.5% Coupon Bonds are set out in the announcements of the Company dated 30 July 2019, 8 August 2019, 19 August 2019 and 6 September 2019. The proceeds were used for (i) refinancing the existing borrowings; (ii) development of the existing businesses; and (iii) the general working capital of the Group.

13.0% Coupon Bonds

Under the exchange offer memorandum ("**Exchange Offer**") dated 5 August 2019, 13.0% coupon bonds (the "**13.0% Coupon Bonds**") with aggregate principal amount of US$30.0 million (equivalent to approximately HK$234.0 million) were issued in exchange of the unsecured 12.0% coupon bonds (the "**12.0% Coupon Bonds**") with principal amount of US$15.0 million (equivalent to approximately HK$117.0 million) which were issued on 5 December 2017 with maturity date on 5 December 2019. The 13.0% Coupon Bonds are secured by the equity interests of certain subsidiaries of the Company and guaranteed by Mr. Li, with maturity date on 30 August 2021 and interest bearing at 13.0% per annum. Pursuant to the terms of the Exchange Offer, the Company has undertaken that Mr. Li holds, directly or indirectly, more than 50% of the issued and paid up share capital of the Company. The net proceeds (after deducting all the related costs and expenses) from the Exchange Offer of approximately US$13.7 million was used for the partial repayment of the 9.0% Coupon Bonds. Details of the 13.0% Coupon Bonds are set out in the announcements of the Company dated 5 August 2019, 6 August 2019, 14 August 2019 and 16 August 2019.

Loan Facility Agreement

Pursuant to the terms of a loan facility agreement (the "**Facility Agreement**") dated 13 August 2019 and entered into among: (i) the Company as borrower; (ii) Mr. Li as guarantor; and (iii) an independent lender, a 2-year credit facility in the total sum of US$64.1 million (the "**Loan**") to be provided in two tranches was made available to the Company subject to certain conditions. The Loan was mainly secured by, among others, pledges of equity interests of certain subsidiaries of the Company and mortgage of the certain investment properties. Pursuant to the Facility Agreement, the Company has undertaken that Mr. Li owns, directly or indirectly, at least 50% of the beneficial interest in the Company carrying at least 50% of the voting right. In the event of default, all or any part of the commitments under the Loan may be cancelled and all amounts outstanding under the Loan may immediately become due and payable. As at 31 March 2020, the first tranche of the Loan of US$48.7 million was drawn down and used for partial repayment of certain loans and trading facility of the Company. Details of the Loans are set out in the announcement of the Company dated 13 August 2019.

Save as disclosed above, the Company has not entered into any loan agreement that imposed specific performance obligations on the controlling shareholder of the Company which were subject to announcement disclosure under Rule 13.18 of the Listing Rules and requirements of disclosure in this announcement under Rule 13.21 of the Listing Rules.

Bank Loan from ChangAn Bank

Pursuant to the terms of a bank loan agreement dated 12 October 2019 and entered into between: (i) Xi'an Tang Rong Real Estate Limited (an indirectly wholly-owned subsidiary of the Company) as borrower; and (ii) ChangAn Bank as lender, a 8-year term loan in the total sum of RMB400 million (the "**Bank Loan**") was made available to the Group. The Bank Loan was mainly secured by mortgage of the certain investment properties. Also, Mr. Li and his spouse would act as the guarantor. During the Year, the Bank Loan was drawn down and used mainly for repayment of certain bank and other borrowings of the Company.

As at 31 March 2020, the Group recorded net current liabilities of HK$1,350.2 million (31 March 2019: HK$968.8 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.28 (31 March 2019: 0.49). During the Year, the Group scaled down the international trading business and repaid the trading facilities, which resulted in decrease in both current assets and current liabilities. Also, the Group issued 13.0% Coupon Bonds which were classified as current liability. As a net result, there was a setback in the current ratio of the Group.

Share Capital

As at 31 March 2020, the authorised share capital and issued share capital of the Company were HK$625.0 million and HK$456.8 million respectively (31 March 2019: HK$625.0 million and HK$456.8 million respectively). There were no changes in the authorised share capital and issued share capital of the Company during the Year.

Disposal of a Subsidiary

During the Year, the Group entered into a Disposal Agreement with Xi'an Qujiang Cultural, who is a third party independent of the Company and its connected persons, pursuant to which the Group agreed to sell and Xi'an Qujiang Cultural agreed to acquire 37.5% of the equity interest in the Finance Lease Company which was engaged in provision of finance lease business in the PRC, The total cash consideration was about RMB93.2 million (equivalent to approximately HK$103.9 million).

Immediately prior to the Completion of Disposal, the Group was beneficially interested in 62.5% of the equity interest in the Finance Lease Company. After Completion, the Group became beneficially interested in 25% of the equity interest in the Finance Lease Company. Upon Completion, the Finance Lease Company ceased to be a subsidiary of the Company and become an associate of the Company. The financial results of the Finance Lease Company were accounted for in the consolidated financial statements of the Company using the equity method.

The net proceeds from the Disposal were applied by the Company for the repayment of borrowings and general working capital purpose. For details, please refer to the announcements of the Company dated 12 December 2019, 8 January 2020 and 15 January 2020.

Gearing Ratio

The Group's gearing ratio as at 31 March 2020 was 0.62 (31 March 2019: 0.60) which was calculated based on the Group's total liabilities of HK$2,929.7 million (31 March 2019: HK$3,132.3 million) and the Group's total assets of HK$4,691.1 million (31 March 2019: HK$5,218.1 million). The slight setback in the gearing ratio was mainly due to loss for the Year and depreciation of RMB against HK$ which has more adverse impact on the assets side.

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 16 of this announcement, the Group did not have any significant contingent liabilities.

As at 31 March 2020, the Group had pledged (i) bank deposits of HK$248.9 million to certain banks as securities in return for the banks' provision of loans to the Group's financial guarantee services customers; (ii) leasehold land and building with carrying value of HK$35.9 million to secure obligations under banking facilities; and (iii) certain investment properties with fair value of HK$2,986.2 million and equity interest of certain subsidiaries to secure obligation under certain bank and other borrowings, the 6.5% Coupon Bonds and 13.0% Coupon Bonds.

Capital Commitments

As at 31 March 2020, the Group had capital commitments contracted but not provided for amounting to HK$45.1 million in respect of the development of Chinlink•Worldport and CIC. Details of the commitments are set out in note 18 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 (2019: 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 2020, the Group had 44 employees in Hong Kong, 246 employees in China and 1 employees in the United Kingdom (31 March 2019: 48 employees in Hong Kong and 235 employees in China and 5 employees in the United Kingdom). 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

Chinlink entered 2020 with mixed sentiments. The global geopolitical outlook is still opaque, shadowed by intensified political and economic tensions between China and the US; a worldwide COVID-19 pandemic outbreak that is causing collateral damages to the global economy. China is experiencing a lower GDP growth era as it is in the process of economic restructuring from high-speed to high-quality growth. It is also affected by the growing tension with the US on trade, finance and technology, and the damaging pandemic. However, the China economy is on the road to an early rebound, helped by a series of fiscal stimulus and monetary policies, and the easing of COVID-19 lockdown. It pledges to widen international cooperation and be more open to overseas investment, while emphasising more on consumer spending and self-reliant on technology, innovation and entrepreneurship. Hong Kong's weakening economy is of particular concern which is still under the influence of resurging social unrest and the aftermath of the COVID-19 crisis. Yet as the US authority's tightened regulation towards Chinese companies listing or exploring to list in the US stock exchanges, most of them will turn to the Hong Kong market instead. Hong Kong apparently will continue to enjoy the advantages as an international financial centre driving international capital to Chinese enterprises.

The Group will operate the financing business in China in a cautious manner to mitigate contingent risks associated with the slowdown of the domestic economy. Given the Group's constraint in raising capital to expand the credit portfolio, we do not foresee substantial growth in the financial guarantee and factoring businesses in the coming year.

The strategy for MCM Group has continued to be around building further partnerships in China and abroad. MCM Group derived further revenues from Korea through a strategic partnership with a Korean family office, in Latin America where it has a well cemented joint venture, and widely across Asia. In asset management business, MCM Group signed a memorandum of understanding with one of the most important state-level government investment arms in China – currently managing over RMB250.0 billion. Through this partnership, MCMIP will launch its presence in China and look to grow into this relevant sector, also aiding in identifying and attracting innovative global enterprises in sectors ranging from integrated circuits and biopharmaceuticals to equipment manufacturing. In MCM Group's financial advisory business, we continue to find success in our corporate partnerships, not only with Asian enterprises expanding overseas, but also as well as international, innovative companies seeking the right partners to help them grow in Asia. We have also sought to provide commercial, strategic and other support as these firms expand their footprint in the region with the support of MCM Group.

The Group has substantially scaled down the trading of electronic components in the last 18 months because of deteriorating market situation. Nevertheless, the Group is exploring other trading opportunities which will have a synergy effect with other Group business.

The Group continues to enjoy steady incomes from the Commercial Complex. As a result of COVID-19 pandemic, the building was completely closed for a few weeks since this Chinese New Year. As partial compensation for the tenants' loss of business during the lockdown period, we are providing the tenants with a one-month rental concession. Nevertheless, we are confident of maintaining a high level of average occupancy over 95.0% and a small revenue gain in the coming financial year.

Phase Two Development is in full swing. Total built area will be around 128,000 square metres consists of service apartments, commercial space and carparks, all will be for sale. We anticipate to start the pre-sale by the end of 2020, and project completion by mid-2022. Under the current market situation, this development upon completion will contribute a considerable return for the Group. The Group expects substantial cash flow from the sale of the service apartments in the coming few years.

At this moment, CIC is under-going fire-safety and completion inspections. Over 85.0% of the lettable space for retail and office uses are taken up under three to ten years contracts. It will be another revenue driver for the Group from the second half of the coming financial year onwards.

There were two latest developments in the Chinlink • Worldport project in Hanzhong. The joint venture with the Hanzhong Municipal Government has commenced operation. Chinlink has a 66.0% majority stake and management control. The main business of this joint venture is to assist the development of the local Chinese medicine industry. As a historical farming base for Chinese herbal medicine for many centuries, Hanzhong needs to build a modern Chinese medicine industry verticals to integrate farming, research and development, testing and certification, manufacturing, sales and marketing to target both national and overseas markets. The joint venture will work closely under the Hanzhong Municipal Government initiative to formulate and execute the industry policy, and will launch a business-to-business online trading platform for Chinese medicine within this year.

Another notable development in Chinlink • Worldport is the official opening of the bonded warehouse and the Hanzhong Customs office in May this year. Chinlink will provide both the warehouse and the auxiliary logistics services.

Chinlink is fostering an innovation and financial ecosystem to nurture innovative technology and businesses at their early or later development stages. A joint venture company has been formed with our strategic partners from the Silicon Valley, GSVlabs, and Chinlink's investment banking subsidiary, MCM Group. The joint venture is working on setting up the first innovation centre in Xi'an in late 2020 to accelerate a selected batch of local startups specialised in artificial intelligence ("**AI**"). This Xi'an innovation centre will connect the AI startups and entrepreneurs to GSVlabs' global AI innovation centres' networks in Silicon Valley, Boston, Pittsburgh and London, leading academic institutions in AI technology like Carnegie Mellon University, University College London ("**UCL**"), and Xi'an Jiaotong University, and GSVlabs and MCM Group's networks of enterprise innovation partners in key domestic and international markets.

The Xi’an innovation centre will operate in an “Accelerator + Fund” model. MCM Group and GSVlabs are setting up an AI accelerator fund, an early-stage acceleration and venture capital fund to invest in pre-seed and seed companies using core AI technologies. This fund will apply to the selected startups under our accelerator programme and will continue to monitor and assist their business development and subsequent funding needs. Chinlink will participate as a cornerstone investor in this fund to develop a portfolio of companies with high growth enterprise value.

One of the GSVlabs’ key offerings to the global innovation and financial ecosystem is the GSV Passport™. It is a digital platform for entrepreneurs, innovators and companies to access to a worldwide community of over 15,000 entrepreneurs from over 100 countries. It also features services and learning resources, mentorship, expert advice and access to investors critical to business growth. The joint venture will launch the Chinese version of the GSV Passport™ in parallel to the Xi’an innovation centre later this year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the Year, 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.

For details of the compliance and practice of corporate governance of the Company, please refer to the corporate governance report contained in the 2019/2020 Annual Report to be published in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**’) 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.

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 and discussed the risk management and internal control and financial reporting matters.

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

Neither the Company nor any of its subsidiaries had 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.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the Year. The report includes paragraphs of material uncertainty related to going concern, without modification:

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 2020, 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 in the consolidated financial statements, which indicates that the Group incurred a net loss from continuing operations of approximately HK$119,036,000 for the year ended 31 March 2020 and, as of that date the Group had net current liabilities of approximately HK$1,350,200,000, while its bank balances and cash amounted to approximately HK$25,382,000 only as at 31 March 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited and the Company (http://www.chinlinkint.com).

The 2019/2020 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

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

Hong Kong, 30 June 2020

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.