MACROLINK CAPITAL HOLDINGS LIMITED
新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Board") of Macrolink Capital Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 together with the comparative figures for the year 2019 which have been reviewed by the Company's audit committee (the "Audit Committee"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**262,463**	337,839
Cost of sales and services		**(261,519)**	(328,114)
Gross profit		**944**	9,725
Other income and gains	*4*	**8,495**	46,142
Administrative expenses		**(52,524)**	(52,087)
Other operating expenses, net		**(21,750)**	(19,360)
Fair value gains on investment properties, net		**1,970**	63
Fair value loss on future contracts		**–**	(75,763)
Impairment loss on other intangible assets		**(6,613)**	(6,570)
Operating loss	*5*	**(69,478)**	(97,850)
Finance costs	*6*	**(3,064)**	(4,293)
Loss before tax		**(72,542)**	(102,143)
Income tax (expense)/credit	*7*	**(904)**	3,524
Loss for the year		**(73,446)**	(98,619)
Attributable to:			
Owners of the Company		**(64,848)**	(88,810)
Non-controlling interests		**(8,598)**	(9,809)
		(73,446)	(98,619)
Loss per share attributable to owners of the Company			
Basic and diluted *(HK cents per share)*	*8*	**(5.38)**	(7.36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(73,446)**	(98,619)
Other comprehensive income/(expense), net of tax		
Item that will not be reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	**–**	(443)
	–	(443)
Items that may be reclassified subsequently to profit or loss:		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**4,165**	–
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(61)**	–
Exchange differences on translation of foreign operations	**9,377**	(3,097)
	13,481	(3,097)
Other comprehensive income/(expense) for the year, net of tax	**13,481**	(3,540)
Total comprehensive expense for the year	**(59,965)**	(102,159)
Attributable to:		
Owners of the Company	**(52,554)**	(91,842)
Non-controlling interests	**(7,411)**	(10,317)
	(59,965)	(102,159)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**82,816**	99,104
Investment properties		**77,921**	73,850
Right-of-use assets		**19,234**	17,196
Other intangible assets		**6,849**	14,520
Deferred tax assets		**–**	347
Total non-current assets		**186,820**	205,017
Current assets			
Inventories		**28,264**	30,841
Accounts receivable	*10*	**932**	3,171
Prepayments, deposits and other receivables		**15,948**	22,247
Amounts due from related companies		**14,019**	12,420
Financial instruments at fair value through profit or loss		**15,706**	19,781
Cash and bank balances		**6,893**	35,784
Total current assets		**81,762**	124,244
Current liabilities			
Accounts payable	*11*	**4,801**	4,515
Other payables and accruals		**52,113**	52,539
Interest-bearing bank and other borrowings		**28,980**	33,060
Amounts due to related companies		**27,955**	26,740
Lease liabilities		**973**	–
Tax payable		**24**	50
Total current liabilities		**114,846**	116,904
Net current (liabilities)/assets		**(33,084)**	7,340
Total assets less current liabilities		**153,736**	212,357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**331**	–
Financial guarantee contract	**–**	134
Deferred tax liabilities	**34,403**	33,256
Total non-current liabilities	**34,734**	33,390
Net assets	**119,002**	178,967
Equity		
Equity attributable to owners of the Company		
Share capital	**120,625**	120,625
Reserves	**(14,078)**	38,476
	106,547	159,101
Non-controlling interests	**12,455**	19,866
Total equity	**119,002**	178,967

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. The financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded a net loss of approximately HK$73,446,000 during the year ended 31 December 2020 and it had net current liabilities of approximately HK$33,084,000 as at 31 December 2020. These events or conditions may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have taken the following measures to mitigate the liquidity pressure:

(a) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;

(b) Exploring the possibility of disposing assets of the Group to enhance its liquidity position;

(c) Soliciting for further financing arrangements which include funding from a related company of the Group;

(d) Obtaining financial support from a related company to which the Group was indebted in an amount of Renminbi ("RMB") 16,000,000 (approximately HK$19,136,000) as at 31 December 2020. Subsequent to 31 December 2020, that related company provided further financial support by advancing RMB15,000,000 (approximately HK$17,940,000) to the Group. The related company has undertaken not to request for repayment of the total indebted amount for twelve months from the date of this announcement; and

(e) Strengthening its operation by entering into a property operation and management contract with a related company of the Group, thereby generating stable income and operating cash flows to the Group.

Based on the Group's cash flow projections, taking into account of the above measures covering a period of fifteen months from the end of the reporting period prepared by the management, as well as unutilised banking and other facilities of approximately HK$9,568,000 as at 31 December 2020 available for drawdown, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the amendments effective as of 1 January 2020 below.

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following amendments to HKFRSs and HKASs for the first time in the current consolidated financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19 - Related Rent Concessions (early adopted)*

The application of the *Conceptual Framework for Financial Reporting 2018* and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the property investment and development segment engages in leasing and sale of properties;

(b) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;

(c) the securities investments segment engages in investing in listed securities;

(d) the trading of mineral concentrates segment engages in the trading of mineral concentrates;

(e) the coal mining segment engages in the exploration and development of coal mine concessions and mining for sale of coal; and

(f) the others segment engages in the sale of parts of mining equipment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income and other unallocated income and gains, finance costs, fair value loss on future contracts and other unallocated head office and corporate expenses are excluded from such measurement.

3. **SEGMENT INFORMATION** *(Continued)*

Segment assets exclude deferred tax assets, cash and cash equivalents, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related companies, financial guarantee contract, lease liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segments results

An analysis of the Group's segment results by reportable segment is as follows:

Year ended 31 December 2020

	Property investment and development *HK$'000*	Securities investments *HK$'000*	Manufacture and sale of construction materials *HK$'000*	Trading of mineral concentrates *HK$'000*	Coal mining *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to/revenue from external customers	4,112	–	–	258,085	119	2,973	265,289
Investment income	–	(2,826)	–	–	–	–	(2,826)
	4,112	(2,826)	–	258,085	119	2,973	262,463
Segment results	3,101	(2,825)	(20,799)	(3,025)	(14,295)	(4,163)	(42,006)
Bank interest income and other unallocated income and gains							8,594
Corporate and other unallocated expenses							(36,066)
Unallocated finance costs							(3,064)
Loss before tax							(72,542)

3. SEGMENT INFORMATION *(Continued)*

Segment results *(Continued)*

Year ended 31 December 2019

	Property investment and development *HK$'000*	Securities investments *HK$'000*	Manufacture and sale of construction materials *HK$'000*	Trading of mineral concentrates *HK$'000*	Coal mining *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to/revenue from external customers*	9,533	–	–	318,148	2,128	7,684	337,493
Investment income	–	346	–	–	–	–	346
	9,533	346	–	318,148	2,128	7,684	337,839
Segment results	(1,487)	343	(24,166)	(2,281)	(12,603)	(2,839)	(43,033)
Bank interest income and other unallocated income and gains							42,304
Corporate and other unallocated expenses							(21,358)
Fair value loss on future contracts							(75,763)
Unallocated finance costs							(4,293)
Loss before tax							(102,143)

* Since the amount of intersegment sales is insignificant, no reconciliation has been made.

3. **SEGMENT INFORMATION** *(Continued)*

Segment assets and liabilities and other segment information

An analysis of the Group's segment assets and liabilities and other segment information by reportable segment is as follows:

Year ended 31 December 2020

	Property investment and development *HK$'000*	Securities investments *HK$'000*	Manufacture and sale of construction materials *HK$'000*	Trading of mineral concentrates *HK$'000*	Coal mining *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets and liabilities:							
Segment assets	86,587	15,706	54,397	29,765	10,770	2,725	199,950
Corporate and other unallocated assets							68,632
Total assets							268,582
Segment liabilities	43,675	–	15,251	493	559	4,924	64,902
Corporate and other unallocated liabilities							84,678
Total liabilities							149,580
Other segment information:							
Depreciation and amortisation charged in profit or loss	3	–	3,071	4	335	4	3,417
Corporate and other unallocated amounts							3,484
							6,901
Fair value gains on investment properties, net	(1,970)	–	–	–	–	–	(1,970)
Impairment loss on property, plant and equipment	–	–	9,507	–	–	–	9,507
Write-down on inventories	–	–	2,374	–	656	761	3,791
Impairment loss on other intangible assets	–	–	–	–	6,613	–	6,613
Provision/(reversal) of impairment loss on accounts receivables – net	(54)	–	–	–	96	772	814
Provision/(reversal) of impairment loss on prepayments, deposits and other receivables – net	(29)	–	–	(471)	872	834	1,206
Corporate and other unallocated assets							(27)
							1,179
Gain on disposal of items of property, plant and equipment – corporate and other unallocated amounts							(128)
Capital expenditure[#] — corporate and other unallocated amounts							1,973

[#] Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

3. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities and other segment information *(Continued)*

Year ended 31 December 2019

	Property investment and development *HK$'000*	Securities investments *HK$'000*	Manufacture and sale of construction materials *HK$'000*	Trading of mineral concentrates *HK$'000*	Coal mining *HK$'000*	Others *HK$'000*	Total *HK$'000*
Assets and liabilities:							
Segment assets	83,114	19,781	65,062	33,881	20,907	5,338	228,083
Corporate and other unallocated assets							101,178
Total assets							329,261
Segment liabilities	41,633	–	12,891	466	565	4,721	60,276
Corporate and other unallocated liabilities							90,018
Total liabilities							150,294
Other segment information:							
Depreciation and amortisation charged in profit or loss	2,915	–	4,901	129	561	5	8,511
Corporate and other unallocated amounts							271
							8,782
Fair value gains on investment properties	(63)	–	–	–	–	–	(63)
Impairment loss on property, plant and equipment	–	–	13,224	–	–	–	13,224
Write-down on inventories	–	–	–	–	1,994	–	1,994
Impairment loss on other intangible assets	–	–	–	–	6,570	–	6,570
Provision/(reversal) of impairment loss on accounts receivables – net	107	–	–	–	(59)	365	413
Reversal of impairment loss on prepayments, deposits and other receivables – net	–	–	–	(162)	(166)	(116)	(444)
Corporate and other unallocated accounts							2
							(442)
(Loss)/gain on disposal of items of property, plant and equipment	(1)	–	–	–	963	–	962
Corporate and other unallocated amounts							49
							1,011
Capital expenditure#	38	–	–	–	–	–	38
Corporate and other unallocated amounts							29
							67

\# Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

3. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
The People's Republic of China ("PRC")	**259,542**	317,354
Peru	**5,747**	20,139
Hong Kong	**(2,826)**	346
	262,463	337,839

The revenue information is based on the location of the customers.

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
PRC	**132,351**	136,726
Peru	**53,133**	68,027
Hong Kong	**1,336**	70
Ecuador	**–**	194
	186,820	205,017

The non-current assets information is based on the locations of assets.

Information about major customer

Revenue from customer of corresponding period contributing over 10% of total revenue of the Group is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A (attributable to trading of mineral concentrates segment)	**171,266**	80,335
Customer B (attributable to trading of mineral concentrates segment)	**–**	54,975
Customer C (attributable to trading of mineral concentrates segment)	**–**	47,027

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue and other income and gains is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers		
Sale of mineral concentrates	**258,085**	318,148
Sale of parts of mining equipment	**2,973**	7,684
Sale of coal	**119**	2,128
Sale of properties	**–**	5,022
Revenue from other sources		
Gross rental income	**4,112**	4,511
Fair value (losses)/gains, net:		
Equity investments at fair value through profit or loss ("FVTPL") – held for trading	**(4,075)**	346
Dividend income	**1,249**	–
	262,463	337,839
Other income and gains		
Bank interest income	**191**	1,178
Property agency commission income	**1,296**	–
Gain on disposal of items of property, plant and equipment	**128**	1,011
Management fee income	**2,150**	2,469
Gain on disposal of subsidiaries	**3,902**	3,320
Compensation received	**–**	33,510
Other interest income	**–**	988
Net foreign exchange gains	**–**	800
Over-provision of other tax and levies in prior years	**–**	2,794
Government grants	**758**	–
Others	**70**	72
	8,495	46,142

During the year ended 31 December 2020, the Group recognised government grants of approximately HK$758,000 in respect of Covid-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government. The grants were recognised when the required employment conditions were fulfilled.

5. OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting):

	Note	**2020**	2019
		HK$'000	*HK$'000*
Employee benefits expense			
(excluding directors' remuneration)			
Salaries, wages and other benefits in kind		**18,068**	22,383
Contributions to retirement benefits schemes		**1,986**	2,339
		20,054	24,722
Auditors' remuneration		**900**	900
Depreciation of right-of-use assets		**1,090**	437
Cost of inventories recognised as an expense	*(iii)*	**265,200**	329,145
Depreciation of property, plant and equipment	*(ii)*	**5,811**	8,336
Net foreign exchange loss		**15,134**	–
Provision of impairment loss on accounts receivable – net	*(i)*	**814**	413
Provision/(reversal) of impairment loss on prepayments, deposits and other receivables – net	*(i)*	**1,179**	(442)
Impairment loss on property, plant and equipment	*(i)*	**9,507**	13,224
Reversal of expected credit loss on financial guarantee contract	*(i)*	**(72)**	–
Lease payments relating to short-term leases in respect of land and buildings		**219**	324
Amortisation of mining rights (included in cost of sales and services)		**–**	9
Loss on deregistration of a subsidiary	*(i)*	**4,165**	–
Gross rental income from investment properties		**(4,112)**	(4,511)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the year		**27**	69
		(4,085)	(4,442)

5. **OPERATING LOSS** *(Continued)*

Notes:

(i) Amounts are included in "Other operating expenses – net".

(ii) Depreciation of approximately nil (2019: HK$54,000), HK$3,445,000 (2019: HK$4,111,000) and HK$2,366,000 (2019: HK$4,171,000) were charged to cost of inventories, administrative expenses and other operating expenses respectively.

(iii) The amount included write-down on inventories of approximately HK$3,791,000 (2019: HK$1,994,000).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**2,456**	3,668
Loan arrangement fee for other loan	**575**	625
Interest on lease liabilities	**33**	–
	3,064	4,293

7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Over-provision in prior years	**–**	(6,531)
Current – elsewhere		
Charge for the year	**12**	1,100
Over-provision in prior years	**(115)**	(65)
Deferred tax charge	**882**	220
Withholding tax charge		
– PRC	**125**	1,752
Total tax expense/(credit) for the year	**904**	(3,524)

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,206,249,251 (2019: 1,206,249,251) in issue during the year.

The calculations of basic and diluted loss per share are based on:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculations	**(64,848)**	(88,810)

Number of shares	**2020**	2019
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,206,249,251**	1,206,249,251

The Company had no potential ordinary shares in issue as at 31 December 2020 (31 December 2019: nil).

9. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. ACCOUNTS RECEIVABLE

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**3,249**	4,790
Impairment	**(2,317)**	(1,619)
	932	3,171

Accounts receivable are usually due immediately from the date of billing. Payment in advance is normally required except the credit period is generally 1 month extending up to 2 months for certain customers from coal mining business and sale of parts of mining equipment business of the Group. The Group seeks to maintain strict control over its outstanding receivables and overdue balances which are reviewed regularly by senior management to minimise credit risk. Accounts receivable are non-interest-bearing and mainly denominated in Renminbi ("RMB"), United States dollar ("US$") and Peruvian Soles ("Soles").

10. ACCOUNTS RECEIVABLE *(Continued)*

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**113**	2,802
1 to 3 months	**582**	369
Over 3 months	**237**	–
	932	3,171

11. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**5**	103
1 to 3 months	**32**	1,911
Over 3 months	**4,764**	2,501
	4,801	4,515

Accounts payable are non-interest-bearing and are mainly denominated in RMB, US$ and Soles.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2020, the Group recorded revenue of approximately HK$262,463,000, representing a significant decrease of 22.31% over HK$337,839,000 of last year. The decrease in revenue was mainly attributable to the curtailment in business scale of the mineral concentrates trading business relating to nickel cathodes with reduced trading volume during the year under review. The Group's gross profit during the year under review was approximately HK$944,000 (2019: HK$9,725,000). The consolidated loss attributable to owners of the Company was approximately HK$64,848,000 (2019: HK$88,810,000), representing a decrease of 26.98% over the same period last year. The significant decrease in loss was primarily attributable to (a) the profitability of the Group's trading business has been deteriorating resulting from the continued weakening domestic demand for the nickel products and the imbalance of purchase price of nickel between international and domestic trading; (b) the recognition of the fair value loss on financial instruments at FVTPL in amount of approximately HK$4,075,000 (2019: fair value gain of HK$346,000); (c) the Group did not receive any compensation income from the minority shareholder of the Company's indirectly-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji") (2019: HK$33,510,000); (d) the Group recorded net foreign exchange loss in an amount of approximately HK$15,134,000 (2019: net foreign exchange gain of HK$800,000); and (e) notwithstanding (a) to (d), during the year under review, the Group did not incur fair value loss on nickel future contracts (2019:HK$75,763,000). Basic and diluted loss per share were HK cents 5.38 (2019: HK cents 7.36).

OPERATION REVIEW

Trading of mineral concentrates business

The trading of mineral concentrates business segment principally operates in two main aspects: (1) Nickel Trading-sourcing mineral concentrates (branded electrolytic nickel cathodes) from Russia and exporting them to the trading intermediaries and end customers in the PRC and (2) Other Trading-sourcing mineral concentrates (mainly gold, copper, zinc and lead concentrates) from Peru and selling them to the customers in the PRC and Peru.

During the year under review, with limited availability of product supply, the Group was only able to trade an aggregate volume of approximately more than 2,390 tons (2019: 2,700 tons) of nickel, with a reduced revenue of approximately HK$252,337,000 (2019: HK$287,589,000) being recognised by the Group. However, this product stream continued to enable the Group to strengthen its revenue base with diversification into other mineral products in this business segment.

During the year under review, as a result of the weakening of the domestic demand for imported nickel product, which is mainly due to continued imbalances in domestic and overseas nickel prices (i.e the purchase price from the upstream supplier continues to rise due to the shutdown in production, while the price from the downstream purchasers are weak due to insufficient demand.), the Group experienced drop in the selling price of the product and recorded a gross loss of approximately HK$1,058,000 (2019: HK$36,000).

On the other hand, in relation to Other Trading, as the Group had ceased the Other Trading business in Ecuador starting from last year and the COVID-19 coronavirus outbreak (the "Epidemic Outbreak") has spread across the world since early 2020, causing disruption to business and economic activities in Peru, the Other Trading business of the Group performed unsatisfactorily and during the year under review, the Group was only able to recognise revenue in the Other Trading business of approximately HK$5,748,000 (2019: HK$16,584,000).

Based on the foregoing, the business of trading mineral concentrates recorded a segment loss of approximately HK$3,025,000 (2019: HK$2,281,000).

Securities investments

As the securities markets in Hong Kong and the PRC since early 2020 have been vulnerable to a high level of uncertainty and volatility, there emerged limited opportunities for securities investment. During the year under review, the Group did not make any alteration to its investment portfolio and continued to invest in 4,970,000 shares of a Hong Kong listed company engaged in financial services. As at 31 December 2020, the Group recognised relevant fair value loss on financial instruments at FVTPL of approximately HK$4,075,000 (2019: fair value gain of HK$346,000), the negative impact of which has been mitigated with a dividend income related to the investment of approximately HK$1,249,000 (2019: nil).

Construction material business

Hunan Taiji, engaging in manufacture and sale of slag powder business in the PRC, has been in suspension of production since August 2016 after its sole supplier served a written notice to suspend the supply of granulated steel slag for production in March 2016. There was no turnover generated since August 2016 and the Group continued to incur operating loss in this business segment after the suspension of the production. During the year under review, the Group recognised a segment loss of approximately HK$20,799,000 (2019: HK$24,166,000), representing a decrease of 13.93% compared to the last year. For the best interests of the Group, Hunan Taiji and its minority shareholder, the Group has been continuing to pursue on the negotiations with the minority shareholder of Hunan Taiji on the possibility for the resumption of Hunan Taiji's production and to seek out any feasible solution from time to time. In view of the sole supplier is a related party of the minority shareholder of Hunan Taiji, the Group believes that the resumption of production of Hunan Taiji remains uncertain. In February 2019, at the request of the minority shareholder of Hunan Taiji, a notice of response was served to Hunan Taiji from the Intermediate People's Court of Loudi City, Hunan Province, the PRC ("Loudi Intermediate Court") requesting to dissolve Hunan Taiji prior to the termination of the joint venture agreement of Hunan Taiji due to the prolonged disputes between the two joint venturers. In January 2020, the Loudi Intermediate Court ruled that the application was rebutted. The minority shareholder subsequently lodged an appeal to Higher People's Court of Hunan Province (the "Higher Court") and in October 2020, it was ruled that Hunan Taiji should be dissolved and in February 2021, the Group received a civil ruling from the Loudi Intermediate Court requesting for implementing a mandatary dissolution. Meanwhile, the Group had lodged a retrial request with the Supreme People's Court of the PRC, and the Group is currently considering to lodge application as soon as practicably for arbitration proceedings at the China International Economics and Trade Arbitration Commission against the minority shareholder of Hunan Taiji for requesting the compensation on, inter alia, failing to procure the requested amount of supply of the granulated steel slag for production since September 2016.

In 2019, the Group received compensation income in an amount of approximately HK$33,510,000 for the supply shortfall for the period from 1 January 2014 to 31 August 2016. During the year under review, no such compensation income was received and receivable by the Group.

Coal mining business

As the revenue generated is unable to support its operating costs and the production costs, the production of the two mines under the coal mining business have been suspended since March 2019. Meanwhile, Peru was adversely affected under the Epidemic Outbreak and the relevant government has imposed certain restrictions throughout the country since March 2020. Hence, the Group's coal mines operations in Peru have been greatly disrupted since March 2020.

During the year under review, this business segment recorded revenue of approximately HK$119,000 (2019: HK$2,128,000), representing a decrease of 94.41% as compared to the same period last year and a segment loss of approximately HK$14,295,000 (2019: HK$12,603,000), representing an increase of 13.43% as compared to the same period last year.

Since the Group expects the production will continue to incur loss and given the Epidemic Outbreak, the Group expects that the two mines will not resume production until the economic recovery from the Epidemic Outbreak. Nevertheless, the Group will consider to resume production in 2021 as it is anticipated that the production would generate positive cash flow to the Group.

Property investment and development

During the year under review, the segment of property investment and development recorded a segment gain of approximately HK$3,101,000(2019: segment loss HK$1,487,000).

Investment properties in Beijing

During the year under review, due to the emergence of rental surrender and rent reduction, the rental income from property leasing in Beijing, the PRC was approximately HK$4,112,000 (2019: HK$4,511,000), representing a decrease of 8.85% compared to the same period last year. These investment properties in Beijing recorded fair value gain of approximately HK$1,970,000 (2019: HK$63,000) in respect of the revaluation. The Group expects these investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation in future.

Property development in Peru

As the Group had sold the remaining two property units in Peru during the last year, during the year under review, the Group did not record turnover of this business segment (2019: HK$5,022,000).

Others

Benefitting from the favourable policies implemented in the Greater Bay Area and Shenzhen Pioneer Demonstration Zone (深圳先行示範區), the Group has signed a property sales agency and consultancy agreement ("Property Agency and Consultancy Agreement") with Huizhou Macrolink Jia Ye Property Development Co., Ltd. (惠州市新華聯嘉業房地產開發有限公司) ("Huizhou Macrolink"), pursuant to which the Group agreed to provide property agency and industry consultancy services ("Agency Services") in connection with all property sales businesses of Huizhou Macrolink, including but not limited to formulating business plans, consultancy and feasibility analysis of the primary and secondary property market, undertaking public relations matters in relation to property sales projects and other procedures of obtaining government approval, drafting and reviewing the sale and purchase agreements, agency agreements and other agreements in relation to the pre-sales, sales, mortgages and assignment of residential properties and assist in undertaking the registration procedures of the sales of properties or any other consultancy advice in relation to the general business, operation and administrative matters of Huizhou Macrolink. During the year under review, the Group recognised a commission income of approximately HK$1,296,000 in respect of the Agency Services (2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's total equity amounted to approximately HK$119,002,000 (31 December 2019: HK$178,967,000), representing a decrease of 33.51% compared with that as at 31 December 2019. The Group's current ratio as at 31 December 2020 was 0.71 (31 December 2019: 1.06). The Group's gearing ratio, expressed as a ratio of total interest-bearing bank and other borrowings to total assets as at 31 December 2020, was 0.11 (31 December 2019: 0.10).

The Group had no particular seasonal pattern of borrowing. As at 31 December 2020, the Group had secured bank loan, secured other loan and unsecured other loan amounting to nil (31 December 2019: approximately HK$2,465,000); HK$23,000,000 (31 December 2019: HK$25,000,000) and approximately HK$5,980,000 (31 December 2019: HK$5,595,000), respectively. The secured other loan is denominated in HK$, interest-bearing at 8% per annum and after extension, the repayment date has been extended to January 2022. The unsecured other loan is denominated in RMB and interest-bearing at 9.5% per annum and repayable on demand.

As at 31 December 2020, the Group's cash and cash equivalents totaled approximately HK$6,830,000 (31 December 2019: HK$35,721,000), which were mainly denominated in HK$, US$, RMB and Soles.

As at 31 December 2020, the Group had aggregate banking and other facilities of approximately HK$32,568,000 (31 December 2019: HK$41,097,000) and had unutilised banking and other facilities of approximately HK$9,568,000 (31 December 2019: HK$13,632,000) available for drawdown.

During the year under review, the Group recorded a net loss of approximately HK$73,446,000. As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately HK$33,084,000 as at 31 December 2020. These events or conditions may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have taken the following measures to mitigate the liquidity pressure:

(a) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;

(b) Exploring the possibility of disposing assets of the Group to enhancing its liquidity position;

(c) Soliciting for further financing arrangements which include funding from a related company of the Group;

(d) Obtaining financial support from a related company to which the Group was indebted in an amount of RMB16,000,000 (approximately HK$19,136,000) as at 31 December 2020. Subsequent to 31 December 2020, that related company provided further financial support by advancing RMB15,000,000 (approximately HK$17,940,000) to the Group. The related company has undertaken not to request for repayment of the total indebted amount for twelve months from the date of this announcement; and

(e) Strengthening its operation by entering into a Property Operation and Management Contract with a related company of the Group, thereby generating stable income and operating cash flows to the Group.

Based on the Group's cash flow projections, taking into account of the above measures covering a period of fifteen months from the end of the reporting period prepared by the management, as well as available unutilised banking and other facilities as at 31 December 2020, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due or will be falling due in coming twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

CAPITAL STRUCTURE

During the year under review, there has been no change in the issued share capital of the Company and the Company's number of issued ordinary shares as at 31 December 2020 was 1,206,249,251.

GROUP STRUCTURE

During the year under review, Topshine Reward Limited, a direct wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Genuine Crystal Limited ("Genuine Crystal"). Genuine Crystal is an investment holding company and holds 100% issued share capital of Mighty Comforts Limited, an investment holding company which holds 100% issued share capital of Profit Land International Limited, which is an investment holding company incorporated in Hong Kong and holds 100% issued share capital of Profit Land Property Development PROLANDPRO S.A., a company incorporated in Ecuador which has not commenced business yet.

Apart from the above, there has been no material change in the structure of the Group during the year under review.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (31 December 2019: Nil).

SUBSEQUENT EVENTS

On 8 February 2021, Shenzhen Macrolink Industrial & Trading Development Limited ("Shenzhen Macrolink"), an indirect wholly-owned subsidiary of the Company, entered into the Property Operation and Management Contract with Macrolink Development and Investment Limited ("Macrolink Development and Investment"), pursuant to which Shenzhen Macrolink agreed to provide property operation and management, solicitation of business and tenants and other related services in relation to certain owned and entrusted properties for Macrolink Development and Investment for a period of three years commencing on 8 February 2021 and ending on 7 February 2024 (the "Service Period"). During the Service Period, Shenzhen Macrolink or its shareholders shall have the right of first refusal to acquire the entire equity interests of Macrolink Development and Investment or its assets.

On 5 March 2021, the Company entered into a conditional sale and purchase agreement with Macrolink Asia Industrial Investment Limited (the "Vendor"), pursuant to which the Company conditionally agree to purchase, and the Vendor conditionally agreed to sell the entire equity interests of Macrolink Development and Investment at a total consideration of HK$186,000,000 (the "Acquisition").

Upon completion of the Acquisition, the Property Operation and Management Contract and all duties and obligations under the Property Operation and Management Contract shall terminate immediately and automatically.

Further details of the Property Operation and Management Contract and the Acquisition are set out in the announcements of the Company dated 8 February 2021 and 5 March 2021, respectively. Up to the date of this announcement, the Acquisition has not been completed.

TREASURY POLICIES

The Group continued to adopt a conservative approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group. During the year under review, the business activities of the Group were mainly denominated in HK$, RMB, US$ and Soles. The Board did not consider that the Group is significantly exposed to any foreign currency risk. The Group has not adopted any hedging policy or entered into any currency derivative products. However, the Board and the management will continue to monitor the foreign currency exchange exposure and will consider adopting certain hedging measures against the currency risk when necessary.

CHARGE OF ASSETS

As at 31 December 2020, certain of the Group's property, plant and equipment and investment properties with carrying amounts of approximately HK$37,750,000 (31 December 2019: HK$42,370,000) and HK$73,544,000 (31 December 2019: HK$69,643,000) respectively have been pledged to banks and other lender to secure bank and loan facilities.

As at 31 December 2020, the carrying amount of the pledged investment properties included an amount of RMB26,680,000 (approximately HK$31,910,000) (31 December 2019: RMB27,260,000 (approximately HK$30,502,000)) relating to security for the repayment obligations of a connected person of the Company in the partial loan principal amount of RMB8,000,000 and the related interest thereon, which has been fully indemnified by the connected person. Details of the continuing connected transaction are set out in the announcements of the Company dated 9 January 2020 and 10 February 2020.

STAFF AND REMUNERATION

The Group had 116 employees in total as at 31 December 2020 (31 December 2019: 127) mainly in Hong Kong, the PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment terms which are based on industry practice. The Group implemented its remuneration policy and discretionary bonus based on the performance of the Group and its employees. The Group provided benefits such as social and medical insurance and pensions to ensure competitiveness.

OUTSTANDING LITIGATIONS

(1) On 22 February 2019, Junefield (Building Material) Limited ("Junefield Building Material"), an indirect wholly-owned subsidiary of the Company, was informed by Hunan Taiji, the Group's 60%–owned subsidiary, that a notice of response to action (應訴通知書) dated 12 February 2019 from Loudi Intermediate Court was received, pursuant to which 漣源鋼鐵集團有限公司 ("Lianyuan Steel"), the minority shareholder of Hunan Taiji as plaintiff, had in September 2018 requested a court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement due to the prolonged shareholders' disputes.

The court hearing of this case was held on 25 September 2019 and the ruling was given on 19 January 2020, pursuant to which the request for a court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement due to the prolonged shareholders' disputes was rebutted. Lianyuan Steel has filed an appeal dated 23 January 2020 to the Higher Court to request immediate dissolution of Hunan Taiji.

Junefield Building Material received a civil ruling dated 14 October 2020 issued by the Higher Court, pursuant to which the Higher Court ruled that the civil ruling dated 19 January 2020 issued by the Loudi Intermediate Court was withdrawn and Hunan Taiji should be dissolved from the effective date of the ruling (the "Dissolution Ruling"). The Dissolution Ruling is final and took effect on 21 October 2020. Subsequently on 31 October 2020, Junefield Building Material received a letter from Lianyuan Steel requesting for proceed with the dissolution of Hunan Taiji.

Based on the legal opinion of the Group's PRC legal advisors, Hunan Taiji is entitled to lodge an application with the Supreme People's Court of the PRC for requesting a retrial to withdraw the Dissolution Ruling and rebut the request made by Lianyuan Steel for court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement (the "Retrial Request") and subsequently, the Group lodged the Retrial Request. On 12 March 2021, notice of acceptance was received from the Supreme People's Court of the PRC.

In addition, Junefield Building Material also considers to lodge the application for arbitration proceedings at China International Economics and Trade Arbitration Commission for claiming against Lianyuan Steel on the decrease of the profits due to the shortage of supply of granulated steel slag for production for the period from 1 September 2016 onwards for compensations on, inter alia, failing to procure the requested quantity of granulated steel slag for production under the Hunan Taiji's joint venture agreement (the "Arbitration Application").

On 1 February 2021, Junefield Building Material received a civil ruling dated 26 January 2021 issued by the Loudi Intermediate Court, pursuant to which the Loudi Intermediate Court ruled that Hunan Taiji failed to proceed with the dissolution within 15 days pursuant to the Dissolution Ruling and it accepted the request from Lianyuan Steel for implementing a mandatory dissolution by the court, hence Hunan Taiji should proceed to a mandatory dissolution implemented by the court from the effective date of this ruling (the "Mandatory Dissolution Ruling"). Based on the legal opinion of the Group's PRC legal advisors, the Mandatory Dissolution Ruling is final and took effect on 26 January 2021.

Based on the opinions of the Group's PRC legal advisors, the Mandatory Dissolution Ruling will not have negative impact on the acceptance of the Retrial Request and the possible Arbitration Application.

(2) During the year period ended 31 December 2020, there were two ongoing claims against the Group totalling approximately Soles 2,614,000 (31 December 2019: Soles 1,000,000) regarding the fatal accidents occurred in a mining site operated by the Group in Peru. Settlement hearings were scheduled to be held in April and July 2021 for the two cases respectively. The accidents were covered by insurance policy. Up to the date of this announcement, there is no further update on the two claims. As the claims are being handled by the lawyer, the directors have taken the view that no additional compensation should be borne by the Group based on legal opinion and no provision for contingent liabilities in respect of the claims is necessary.

EXTRACTS OF INDEPENDENT AUDITORS' REPORT

The following is extracted from the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2020.

Emphasis of Matter Regarding Going Concern

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Group has suffered recurring losses from operations, has net current liabilities of approximately HK$33,084,000, and has stated that these events or conditions may cast significant doubt about the Group's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans and measures regarding these matters are also described in Note 1. Our opinion is not modified with respect to this matter.

OUTLOOK

Since early 2020, the Epidemic Outbreak has spread across the PRC and other countries and it has affected the business of the Group to some extent. In the face of the economic recession and uncertainties, the Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group. At the same time, we will closely monitor how China's macroeconomy and policies and changes in the global economy, political landscapes, market environment and competition will affect the Company, and continue to optimize its operations to maintain the sustainable long-term growth of the Group.

On the premise of capital adequacy, the Group will continue to cautiously and comprehensively identify investment and business development opportunities for efficient and stable business development. The Group will also actively seek opportunities and make effective use of the resources at our disposal and viable business opportunities for development and optimization of its asset allocation. Since 2019, the Group has been identifying investment targets mainly engaged in property leasing and property management operations in first-tier cities in the Chinese mainland, conducting due diligence and commercial discussion adhering to the principles of loyalty, prudence, and care, which has not been further advanced in 2020 affected by the COVID-19 pandemic and considering the overall economic environment and the Group's own operational development. The Group plans to expand the scale of the property investment segment and introduce more profitable businesses in due course with an aim to improving its profitability, increasing shareholder returns, and laying a solid foundation for its future development.

Looking into the future, the Board believes that, leveraging on the experience and resources of the Group's controlling shareholders and adhering to the principle of investing in value, the Group will strive to consolidate and develop its existing businesses, while cautiously and carefully focusing on and develop the Group's investments and business development opportunities at home and abroad, consistently exercising cost and risk control, strengthening its financial position, and striving to reduce the adverse impact of COVID-19 and the downturn in global economy on its business operations. Leveraging on the experience and support of the Group's controlling shareholders, the management is committed to grasping and creating business opportunities in the trading business and property and securities investments with a view to bringing long-term and substantial returns to shareholders and the Group.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters on 30 March 2021. The Audit Committee has also reviewed and discussed with the management about the announcement of audited annual results for the year ended 31 December 2020.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited (the "Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditors 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 the Auditors on this announcement.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company had complied with the code provisions set out in the Corporate Governance Code ("CG Code") as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2020, save as the deviations which are explained as follows:

– Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board and the chairman of the Nomination Committee did not attend the annual general meeting of the Company held on 26 June 2020 ("AGM") due to other business engagement. The chairman of the Audit Committee, the chairman of the Remuneration Committee and certain members of the Nomination Committee were present at the AGM to answer the shareholders' questions.

– Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. Due to the various other business engagement, the Chairman of the Board did not meet up with the independent non-executive directors during the year. The Chairman of the Board will come up with a meeting date with the independent non-executive directors as earliest as possible to make sure that they can meet without other executive directors present in the reporting year of 2021.

– Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year under review, not all the independent non-executive directors attended the AGM due to other business engagement. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that the independent non-executive directors can attend the general meetings in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

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

During the year under review, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (http://macrolinkcapital.etnet.com.hk). The annual report for the year ended 31 December 2020 will be dispatched to shareholders of the Company and published on the same websites in due course.

By Order of the Board
Fu Kwan
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the executive Directors are Mr. Fu Kwan (Chairman), Mr. Zhang Jian, Mr. Zhang Bishu, Ms. Liu Jing, Mr. Chan Yeuk, and Mr. Zhou Jianren; and the independent non-executive Directors are Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.