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CHINLINK
普滙中金

**CHINLINK INTERNATIONAL HOLDINGS LIMITED**
**普 滙 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 2021**

## 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 2021 (the "**Year**"), together with the comparative figures for the year ended 31 March 2020 as follows:

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

*For the year ended 31 March 2021*

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | | |
| Revenue | *3* | | |
| Goods and services | | **170,842** | 371,937 |
| Rental | | **32,341** | 34,209 |
| Interest | | | |
| – Other interest revenue | | **20,495** | 19,352 |
| Total revenue | | **223,678** | 425,498 |
| Cost of sales | | **(67,738)** | (280,798) |

* *For identification purpose only*

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

*For the year ended 31 March 2021*

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Gross profit | | **155,940** | 144,700 |
| Other income, gains and losses | *5* | **(17,537)** | 13,972 |
| Gain arising from disposal of subsidiaries, net | *15* | **15,869** | – |
| Gain on fair value change of investment properties | | **51,421** | 146,586 |
| Gain on fair value change of put option derivative | | **4,064** | 4,694 |
| Allowance under expected credit loss model, net of reversal | | **(5,884)** | (6,723) |
| Impairment loss on goodwill | | **–** | (15,318) |
| Share of profit of an associate | | **9,684** | 935 |
| Selling and distribution costs | | **(7,293)** | (7,757) |
| Administrative expenses | | **(103,005)** | (124,099) |
| Finance costs | *6* | **(249,971)** | (236,252) |
| Loss before tax | | **(146,712)** | (79,262) |
| Income tax expenses | *7* | **(15,467)** | (39,774) |
| Loss for the year from continuing operations | | **(162,179)** | (119,036) |
| **Discontinued operation** | | | |
| Loss for the year from discontinued operation, net of income tax | | **–** | (11,830) |
| Loss for the year | *8* | **(162,179)** | (130,866) |
| **Other comprehensive income/(expense)** | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange difference arising on translation of foreign operations | | **240,944** | (203,449) |
| Share of exchange difference of an investment in an associate | | **6,173** | (1,658) |
| Release of translation reserve upon disposal of a subsidiary | | **–** | (1,765) |
| Total comprehensive income/(expense) for the year | | **84,938** | (337,738) |

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

*For the year ended 31 March 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Loss attributable to owners of the Company:** | | | |
| – from continuing operations | | **(178,853)** | (119,152) |
| – from discontinued operation | | **–** | (10,908) |
| | | **(178,853)** | (130,060) |
| **Loss attributable to non-controlling interests** | | | |
| – from continuing operations | | **16,674** | 116 |
| – from discontinued operation | | **–** | (922) |
| | | **16,674** | (806) |
| | | **(162,179)** | (130,866) |
| **Total comprehensive income/(expense) attributable to:** | | | |
| Owners of the Company | | **54,468** | (325,552) |
| Non-controlling interests | | **30,470** | (12,186) |
| | | **84,938** | (337,738) |
| | | ***HKcents*** | (Restated)<br>*HKcents* |
| **Loss per share attributable to owners of the Company from continuing and discontinued operations** | | | |
| – Basic | 9 | **(57.86)** | (44.49) |
| – Diluted | | **(57.86)** | (44.49) |
| | | ***HKcents*** | (Restated)<br>*HKcents* |
| **Loss per share attributable to owners of the Company from continuing operations** | | | |
| – Basic | 9 | **(57.86)** | (40.76) |
| – Diluted | | **(57.86)** | (40.76) |
| | | ***HKcents*** | (Restated)<br>*HKcents* |
| **Loss per share attributable to owners of the Company from discontinued operation** | | | |
| – Basic | 9 | **–** | (3.73) |
| – Diluted | | **–** | (3.73) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2021*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | **HK$'000** | *HK$'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **180,967** | 169,398 |
| Right-of-use assets | | **16,418** | 20,250 |
| Investment properties | | **4,336,843** | 3,859,215 |
| Goodwill | | **17,237** | 17,237 |
| Interest in an associate | | **84,921** | 69,064 |
| Deposit paid for land auction | | **10,637** | 9,804 |
| Financial assets at fair value through profit or loss | | **24,211** | 24,518 |
| Deposits | | **3,042** | 3,158 |
| | | **4,674,276** | 4,172,644 |
| **Current assets** | | | |
| Trade receivables | *11* | **33,821** | 34,011 |
| Trade receivables from related companies | *11* | **5,888** | 161 |
| Loan receivables | | **177,102** | 81,273 |
| Factoring receivables | | **109,017** | 95,913 |
| Other receivables, deposits and prepayments | | **47,332** | 32,801 |
| Pledged bank deposits | | **207,626** | 248,938 |
| Bank balances and cash | | **29,165** | 25,382 |
| | | **609,951** | 518,479 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At 31 March 2021*

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 12 | – | 12 |
| Other payables and accruals | | **99,807** | 92,493 |
| Put option derivative | | – | 4,064 |
| Loans from staff | | **26,849** | 27,265 |
| Construction costs accruals | | **195,090** | 154,522 |
| Receipts in advance | | **17,303** | 17,479 |
| Lease liabilities | | **8,379** | 9,961 |
| Contract liabilities | | **33,820** | 26,950 |
| Deposits received from tenants and customers | | **33,135** | 26,431 |
| Deferred income | | **8,044** | – |
| Amounts due to directors | | – | 18,494 |
| Amounts due to former subsidiaries | | – | 9,164 |
| Provision for warranty | | – | 70 |
| Financial guarantee contracts | | **5,644** | 2,092 |
| Tax payable | | **4,235** | 7,054 |
| Bank and other borrowings | 13 | **942,461** | 909,484 |
| 9.0% coupon bonds | | – | 105,375 |
| 6.5% coupon bonds | | **231,840** | 205,903 |
| 13.0% coupon bonds | | **236,987** | 251,866 |
| | | **1,843,594** | 1,868,679 |
| **Net current liabilities** | | **(1,233,643)** | (1,350,200) |
| **Total assets less current liabilities** | | **3,440,633** | 2,822,444 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At 31 March 2021*

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Construction costs accruals | | **52,902** | – |
| Receipts in advance | | **–** | 2,761 |
| Contract liabilities | | **–** | 4,227 |
| Deferred income | | **11,233** | – |
| Amounts due to directors | | **39,690** | – |
| Lease liabilities | | **8,378** | 10,568 |
| Bank and other borrowings | *13* | **606,883** | 551,197 |
| Amounts due to related companies | | **202,501** | 184,879 |
| Deferred tax liabilities | | **345,352** | 307,416 |
| | | **1,266,939** | 1,061,048 |
| | | **2,173,694** | 1,761,396 |
| **Capital and reserves** | | | |
| Share capital | *14* | **11,693** | 456,753 |
| Reserves | | **2,105,049** | 1,278,064 |
| Equity attributable to owners of the Company | | **2,116,742** | 1,734,817 |
| Non-controlling interests | | **56,952** | 26,579 |
| | | **2,173,694** | 1,761,396 |

*Notes:*

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

**Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

In addition, the Group has early applied the Amendments to HKFRS 16 Covid-19 Related Rent Concessions.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**New and amendments to HKFRSs that have been issued 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 and the related Amendments[1] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[4] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 | Classification of liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKAS 16 | Property, plant and equipment – Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contracts[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020[2] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") of 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$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**"), except when otherwise indicated.

**Going concern basis**

For the year ended 31 March 2021, the Group incurred a net loss from continuing operations of approximately HK$162,179,000 and, as of 31 March 2021, the Group had net current liabilities of approximately HK$1,233,643,000, while its bank balances and cash amounted to approximately HK$29,165,000 only as at 31 March 2021. In addition, the Group had outstanding borrowings of approximately HK$942,461,000 which were due for repayment or renewal in the next twelve months after 31 March 2021. Further, as described in Note 13, the Group has defaulted in repayment of interest of borrowings amounting to approximately HK$12,637,000 during the year ended 31 March 2021 which outstanding amounts of borrowings of approximately HK$395,301,000 as at 31 March 2021 remain outstanding. This had triggered cross default of another borrowings, totalling HK$21,404,000 as at 31 March 2021, which were originally due for repayment in December 2021 and will be subject to immediate repayment if requested by the respective financial institutions. Further details are set out in Note 13. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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

(i) The Group will seek to accelerate the pre-sales of the service apartments of the Phase Two Development (as defined below). Overall, the Group expects to gradually launch pre-sales of properties for the Phase Two Development starting from the third quarter of 2021. The Group expects there will be proceeds from pre-sale of properties from the third quarter of 2021 onwards. The proceeds arising therefrom will be used for settling the construction fees, repayment of existing loan facilities and general working capital;

(ii) the Group has fully settled defaulted in repayment of interests of borrowings of approximately HK$12,637,000 subsequent to the reporting period. All the default borrowings and cross default borrowings were subject to original contractual repayment dates;

## 2. BASIS OF PREPARATION (Continued)

### Going concern basis (Continued)

(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;

(a) the 6.5% coupon bonds of HK$231,840,000 as at 31 March 2021 provided by Placing Agent A

In June 2021, the Company has active discussion of the possibility of rollover and/or issue of new bonds to refinancing the maturing 6.5% coupon bonds. Placing Agent A confirmed that they are now assessing the market and investors sentiment and, on behalf of the Company, liaising with the existing bondholders to extend the maturity.

(b) the other borrowing of HK$369,878,000 as at 31 March 2021 provided by Lender A

In June 2021, the Company has requested for extending the repayment of the outstanding loan facilities for twelve months from maturity date in August 2021. Despite that the directors of the Company are confidence in further extend the repayment of the principals of the other borrowing, however, the terms were not finalised as at the date of approval of these consolidated financial statements.

(iv) the Group has received a written confirmation dated 30 June 2021 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;

(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;

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

(vii) the group is currently soliciting different source of funds, including additional banking facilities to further support the Group's funding needs should the aforesaid operating cash inflows turned out to be less than forecasted.

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.

## 3. REVENUE

**Continuing operations:**

### *(i) Disaggregation of revenue from contracts with customers*

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Types of goods and services:** | | |
| Revenue from international trading | | |
| – grain and oil products | **–** | 34 |
| – electronic products | **–** | 267,479 |
| Revenue from property management services | **64,720** | 65,171 |
| Revenue from financial guarantee services | **17,850** | 19,961 |
| Revenue from financial advisory services | | |
| – financial advisory services | **81,769** | 13,133 |
| – asset management services | **5,306** | 6,147 |
| Revenue from logistics and other services | **1,197** | 12 |
| Total revenue from contracts with customers | **170,842** | 371,937 |
| Add: | | |
| Rental income under HKFRS 16 | **32,341** | 34,209 |
| Interest income under HKFRS 9 | **20,495** | 19,352 |
| Total revenue | **223,678** | 425,498 |
| **Geographical markets:** | | |
| Hong Kong and Macau | **87,075** | 286,760 |
| PRC | **83,767** | 85,177 |
| Total | **170,842** | 371,937 |
| **Timing of revenue recognition:** | | |
| A point in time | **81,769** | 280,646 |
| Over time | **89,073** | 91,291 |
| Total | **170,842** | 371,937 |

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 years ended 31 March 2021 and 2020.

For the year ended 31 March 2021

| | **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** | | | | |
| Property investment | 97,061 | (32,341) | – | 64,720 |
| Financial guarantee services | 17,850 | – | – | 17,850 |
| Financial advisory services | 87,075 | – | – | 87,075 |
| Logistics and other services | 1,197 | – | – | 1,197 |
| Revenue for reportable segment | 203,183 | (32,341) | – | 170,842 |
| Unallocated revenue | 20,495 | – | (20,495) | – |
| Total | 223,678 | (32,341) | (20,495) | 170,842 |

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 segments | 406,146 | (34,209) | – | 371,937 |
| Unallocated revenue | 19,352 | – | (19,352) | – |
| Total | 425,498 | (34,209) | (19,352) | 371,937 |

## 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.

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 and other services – provision of logistics services and other services

During the year ended 31 March 2020, the operating segment of financial lease services were classified as discontinued operation after they have been disposed of on 17 December 2019. The discontinued operations has resulted in a change in the Group's structure and therefore its composition of reporting segments. The segment information report below does not include amounts for 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 2021** | | Year ended 31 March 2020 | |
|---|---|---|---|---|
| | **Segment revenue** | **Segment profit (loss) for the year** | Segment revenue | Segment profit (loss) for the year |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| International trading | **–** | **(4,655)** | 267,513 | 3,643 |
| Property investment | **97,061** | **86,530** | 99,380 | 100,177 |
| Financial guarantee services | **17,850** | **8,277** | 19,961 | 15,258 |
| Financial advisory services | **87,075** | **17,418** | 19,280 | (31,244) |
| Logistics and other services | **1,197** | **(152)** | 12 | (407) |
| Revenue and result for reportable segments | **203,183** | **107,418** | 406,146 | 87,427 |
| Unallocated revenue | **20,495** | | 19,352 | |
| Total | **223,678** | | 425,498 | |
| Unallocated revenue | | **20,495** | | 19,352 |
| Unallocated income, gains and losses | | **(17,537)** | | 13,972 |
| Unallocated reversal of allowance/ (allowance) for under expected credit loss model, net | | **222** | | (4,681) |
| Unallocated gain arising from disposal of subsidiaries, net | | **15,869** | | – |
| Unallocated gain on fair value change of investment properties | | **14,107** | | 110,796 |
| Unallocated gain on fair value change in put option derivative | | **4,064** | | 4,694 |
| Share of profit of an associate | | **9,684** | | 935 |
| Unallocated corporate expenses | | **(51,063)** | | (75,505) |
| Finance costs | | **(249,971)** | | (236,252) |
| Loss before tax | | **(146,712)** | | (79,262) |

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

## 5. OTHER INCOME, GAINS AND LOSSES

| | 2021<br>*HK$'000* | 2020<br>*HK$'000* |
|---|---|---|
| **Continuing operations:** | | |
| **Other income** | | |
| Interest income | **4,757** | 4,700 |
| **Other gains and losses** | | |
| Gain/(loss) on disposal of property, plant and equipment | **42** | (4) |
| Net foreign exchange (loss)/gain | **(31,389)** | 4,960 |
| Gain on non-substantial modification of financial liabilities measured at amortised cost | **–** | 2,592 |
| Loss on extinguishment of coupon bond | **–** | (1,533) |
| (Loss)/gain on fair value change of financial assets at FVTPL, net | **(308)** | 19 |
| Realised (loss)/gain from financial assets at FVTPL | **(427)** | 2,670 |
| Adjustment on amount due to director | **1,665** | – |
| Adjustment on amounts due to related parties | **3,092** | – |
| Government grants *(Note)* | **2,845** | – |
| Others | **2,186** | 568 |
| | **(22,294)** | 9,272 |
| | **(17,537)** | 13,972 |

*Note:* During the year, the Group recognised government grants of HK$2,131,000 (2020: HK$Nil) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong Government. The remaining government grant represents subsides and awards from local government authorities for the Group's contribution to the development of the local economies.

## 6. FINANCE COSTS

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| Interest on bank and other borrowings | **159,556** | 133,753 |
| Effective interest expense on 9.0% coupon bonds | **3,625** | 22,810 |
| Effective interest expense on 6.5% coupon bonds | **20,687** | 11,983 |
| Effective interest expense on 12.0% coupon bonds | **–** | 5,851 |
| Effective interest expense on 13.0% coupon bonds | **30,653** | 19,516 |
| Imputed interest expense from amounts due to related companies | **33,173** | 33,561 |
| Imputed interest expense from obligation arising from put option | **–** | 8,122 |
| Interest on lease liabilities | **824** | 656 |
| Imputed interest expense from amounts due to directors | **1,453** | – |
| | **249,971** | 236,252 |

There was no finance cost capitalised arose on the general borrowing pool during the year ended 31 March 2021 and 2020.

## 7. INCOME TAX EXPENSES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **–** | 366 |
| PRC | **3,528** | 6,942 |
| | **3,528** | 7,308 |
| Underprovision/(overprovision) in prior years: | | |
| Hong Kong | **121** | (102) |
| PRC | **23** | (116) |
| | **144** | (218) |
| Deferred tax | **11,795** | 32,684 |
| | **15,467** | 39,774 |

## 8. LOSS FOR THE YEAR

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| Loss for the year has been arrived at after charging/(crediting): | | |
| Auditors' remunerations | | |
| – Audit service | **1,850** | 1,950 |
| – Other service | **431** | – |
| Depreciation of property, plant and equipment | **7,159** | 5,103 |
| Depreciation of right-of-use assets | **9,980** | 6,690 |
| (Gain)/loss on disposal of property, plant and equipment | **(42)** | 4 |
| Staff costs (including directors' emoluments) | | |
| Salaries and other benefits | **50,213** | 56,790 |
| Retirement benefit scheme contributions | **2,682** | 4,559 |
| | **52,895** | 61,349 |
| Cost of inventories recognised as expenses | **–** | 259,305 |
| Expenses relating to short term lease | **890** | 4,561 |
| Gross rental income from investment properties | **(32,341)** | (34,209) |
| Less: direct operating expenses incurred for investment properties that generated rental income | **4,716** | 4,269 |
| | **(27,625)** | (29,940) |

## 9. LOSS PER SHARE

### (a) Continuing and discontinued operations

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

Loss

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(178,853)** | (130,060) |

Number of shares

| | | (Restated) |
|---|---|---|
| | **2021** | 2020 |
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **309,140** | 292,322 |

### (b) Continuing operations

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

Loss

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(178,853)** | (119,152) |

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

## 9. LOSS PER SHARE (Continued)

### (c) Discontinued operations

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

Loss

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **–** | (10,908) |

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

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the effect of share consolidation and capital reduction on 19 February 2021 and the rights issue on 25 March 2021. Details of the rights issue and share consolidation are set out in note 14.

The denominator for the purpose of calculating basic and diluted loss per share for the year ended 31 March 2020 has been restated retrospectively to reflect the effect of the share consolidation, capital reduction and right issue during the year ended 31 March 2021.

During the year ended 31 March 2021 and 2020, the computation of diluted loss 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 both years.

## 10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 11. TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

**Trade receivables**

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | | |
| – goods and services | **32,771** | 23,433 |
| – operating lease | **931** | 846 |
| Financial guarantee contracts | **937** | 13,516 |
| | **34,639** | 37,795 |
| Less: Allowances for expected credit losses | **(818)** | (3,784) |
| | **33,821** | 34,011 |

As at 31 March 2021 and 2020, the carrying amounts of trade receivables (net of allowance for expected credit losses) from contracts with customers amounted to HK$34,613,000 and HK$33,205,000 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:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **8,441** | 13,717 |
| 31–90 days | **2,392** | 3,641 |
| >90 days | **22,988** | 16,653 |
| | **33,821** | 34,011 |

The Group's credit terms for its major customers of international trading are usually 7 days to 30 days. The credit terms granted by the Group to other trade debtors of international trading are normally 30 days.

Customers related to financial guarantee services are required to settle either on monthly instalments in arrear or upon signing of the financial guarantee services contracts or relevant consultancy services contracts.

The Group's credit terms for its customers related to logistics services and financial advisory services are normally 30 days to 90 days.

**Trade receivables from related companies**

As at 31 March 2021, trade receivables from related companies of HK$5,888,000 (net the allowance for expected credit losses of HK$61,000) (2020: HK$161,000 (net the 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

### Trade payables

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **–** | – |
| 31 – 90 days | **–** | – |
| > 90 days | **–** | 12 |
| | **–** | 12 |

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

## 13. BANK AND OTHER BORROWINGS

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank borrowings, secured | **655,615** | 624,332 |
| Other borrowings, secured | **423,119** | 401,887 |
| Other borrowings, unsecured | **457,552** | 424,501 |
| Bank overdraft | **13,058** | 9,961 |
| | **1,549,344** | 1,460,681 |
| Less: Amount due within one year or contains a repayable on demand clause shown under current liabilities | **(942,461)** | (909,484) |
| Amount shown under non-current liabilities | **606,883** | 551,197 |

* 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 (2020: Hong Kong Prime Interest Rate) per annum.

As at 31 March 2021, the Group's variable-rate bank borrowings of approximately HK$155,158,000 (2020: HK$188,127,000) 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 (2020: HIBOR plus 2.5% LIBOR plus 3.5% or based rate fixed by PBOC Rate plus a premium per annum).

As at 31 March 2021, the Group's fixed-rate bank borrowings of HK$500,457,000 (2020: HK$436,205,000) carries at a fixed-rate ranged from 4.8% to 8.5% (2020: 8.5%) per annum.

As at 31 March 2021, other borrowings amounted to HK$423,119,000 is secured by equity interest of certain Group's wholly owned subsidiaries. The borrowing carries at a fixed-rate of 9% and 20% per annum and is repayable on 6 September 2021 and 14 August 2021.

As at 31 March 2021, the remaining other borrowings are unsecured, carries interest at a fixed-rate of 5.0% to 18.0% per annum and are repayable at maturity dates ranged from 1 April 2021 to 31 March 2023.

## 13. BANK AND OTHER BORROWINGS (Continued)

As at 31 March 2021, unsecured other borrowings included an amount of HK$157,963,000 (equivalent to RMB133,510,000) 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:

| | **2021**<br>***HK$’000*** | 2020<br>*HK$’000* |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **4.80%–20.00%** | 5.00%–20.00% |
| Variable-rate borrowings | **3.58%–7.13%** | 4.65%–7.48% |

At 31 March 2021, the variable-rate bank borrowings of approximately approximately HK$144,345,000 (2020: approximately HK$188,127,000) are secured by the Group’s property, plant and equipment with carrying value of approximately HK$23,756,000 (2020: approximately HK$35,942,000) and investment properties with fair value of HK$3,260,293,000 (2020: HK$2,986,151,000).

The Group has defaulted in repayment of interest of other borrowings of approximately HK$312,000 which was due in 20 March 2021 which outstanding amounts of other borrowings of approximately HK$25,423,000 as at 31 March 2021 remain outstanding.

Subsequent to the reporting period, the Group has fully settled defaulted in repayment of interest of borrowings of approximately HK$312,000 on 13 April 2021.

The Group has defaulted in repayment of interest of an other borrowing of approximately HK$12,325,000 which was due in 30 March 2021 which outstanding amount of other borrowings of approximately HK$369,878,000 as at 31 March 2021 remain outstanding.

Subsequent to the reporting period, the Group has fully settled defaulted in repayment of interest of borrowings of approximately HK$12,325,000 on 29 April 2021, 22 June 2021 and 28 June 2021.

The Group had triggered cross default of other borrowings, totalling HK$21,404,000 as at 31 March 2021, which were originally due for repayment in December 2021.

## 14. SHARE CAPITAL

| | Number of shares | Nominal value *HK$'000* |
|---|---|---|
| Authorised ordinary shares | | |
| At 1 April 2019, 31 March 2020 and 1 April 2020 of HK$0.3125 each | 2,000,000,000 | 625,000 |
| Increase in authorised share capital *(Note i)* | 60,500,000,000 | – |
| At 31 March 2021 of HK$0.01 each | 62,500,000,000 | 625,000 |
| Issued ordinary shares and fully paid | | |
| At 1 April 2019, 31 March 2020 and 1 April 2020 of HK$0.3125 each | 1,461,609,692 | 456,753 |
| Share consolidation *(Note i)* | (1,169,287,754) | – |
| Capital reduction *(Note i)* | – | (453,830) |
| Rights issue *(Note ii)* | 876,965,814 | 8,770 |
| At 31 March 2021 of HK$0.01 each | 1,169,287,752 | 11,693 |

*Note i:* On 19 February 2021, the share consolidation on the basis of every 5 issued and unissued ordinary shares of HK$0.3125 each consolidated into 1 share of HK$1.5625 each was implemented. After capital reduction whereby: (a) any fractional consolidated shares in the issued share capital of the Company arising from the share consolidation were cancelled; and (b) the nominal value of all the issued consolidated shares was reduced from HK$1.5625 each to HK$0.01 each by canceling the paid-up share capital of the Company to the extent of HK$1.5525 on each of the consolidated shares in issue. Immediately following the share consolidation of issued share capital and the capital reduction of the Company, the authorised share capital of the Company was increased to HK$625,000,000 divided into 62,500,000,000 ordinary shares by the creation of an additional 60,500,000,000 ordinary shares.

The structure of the Company's authorised share capital was changed from HK$625,000,000 divided into 2,000,000,000 ordinary shares of HK$0.3125 each, to HK$625,000,000 divided into 62,500,000,000 ordinary shares of HK$0.01 each. The issued share capital of the Company was changed from HK$456,753,029 divided into 1,461,609,692 ordinary shares, to HK$2,923,219 divided into 292,321,938 ordinary shares.

*Note ii:* On 25 March 2021, rights Issue on the basis of three rights shares for every one share at the subscription price of HK$0.38 per rights shares held was effected and a total of 876,965,814 ordinary shares were issued with an aggregate par value of approximately HK$8,770,000.

## 15. DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 March 2021, the Group disposed of its entire equity interests in a subsidiary ("**Disposal subsidiary**"), Blessing China Limited to an independent third party. The disposed subsidiary is incorporated in Hong Kong which is engaged in property holding. The disposal was completed on 22 May 2020.

Summary of the effects of the disposal of Disposal subsidiary was as follows:

| | *HK$'000* |
|---|---|
| Cash received | 19,000 |
| **Analysis of assets over which control was lost:** | |
| Property, plant and equipment | 13,800 |
| Net asset disposed of | 13,800 |
| **Gain on disposal of a subsidiary:** | |
| Consideration received | 19,000 |
| Less: net asset disposed of | (13,800) |
| Gain on disposal | 5,200 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration received | 19,000 |
| Less: cash and cash equivalents balances disposed of | – |
| | 19,000 |

## 15. DISPOSAL OF SUBSIDIARIES (Continued)

(b) During the year ended 31 March 2021, the Group disposed of its entire equity interests in subsidiaries ("**Disposal subsidiaries**"), Acelin Investments Limited and its subsidiaries to an independent third party. The disposed subsidiaries are incorporated in BVI, Macau and Hong Kong which are engaged in investment holding, trading of furniture and fixtures and interior decoration work. The disposal was completed on 30 November 2020.

Summary of the effects of the disposal of Disposal subsidiaries were as follows:

| | *HK$'000* |
|---|---|
| Cash received | –* |
| **Analysis of assets and liabilities over which control was lost:** | |
| Property, plant and equipment | 5 |
| Deposit Paid | 236 |
| Other receivables | 12 |
| Cash and cash equivalents | 238 |
| Trade payables | (194) |
| Other payables | (9,198) |
| Accrual | (1,698) |
| Provision for Warranty | (70) |
| Net liabilities disposed of | (10,669) |
| **Gain on disposal of subsidiaries:** | |
| Consideration received | –* |
| Add: net liabilities disposed of | 10,669 |
| Gain on disposal | 10,669 |
| **Net cash outflow arising on disposal:** | |
| Cash consideration received | –* |
| Less: cash and cash equivalents balances disposed of | (238) |
| | (238) |

* The balance represents an amount less than HK$1,000

## 16. CONTINGENT LIABILITIES

### Corporate guarantee

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantee given to banks in respect of financial guarantee services provided to: | | |
| – Independent third parties | **366,919** | 477,971 |
| – Related parties | **–** | 5,453 |
| | **366,919** | 483,424 |

## 17. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had future minimum lease receivable under noncancelable operating leases which fall due as follows:

### As lessor

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **18,947** | 4,088 |
| In the second to fifth year inclusive | **13,314** | – |
| More than five years | **120,482** | – |
| | **152,743** | 4,088 |

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

## 18. CAPITAL COMMITMENTS

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure contracted for but not provided in the consolidated financial statements in connection with the investment properties under construction | **456,224** | 45,077 |

## 19. COMPARATIVE FIGURE

The comparative loss per share has been restated as if the effect of share consolidation and right issue adjusted retrospectively during the current year have been affected at the beginning of the comparative year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the Year under review, the Coronavirus Disease 2019 (“**COVID-19**”) pandemic continued to cause severe disruption on business and social activities around the globe driving the world economy into a severe recession. According to the International Monetary Fund’s latest World Economic Outlook, April 2021, the pandemic recession is the deepest since the end of World War II, with a 3.5% output contraction in 2020, which represents a 7.0% loss relative to the International Monetary Fund’s 3.4% growth forecast back in October 2019. On the other hand, the swift and strict lockdown of the People’s Republic of China (the “**PRC**” or “**China**”) on a national scale at the beginning of the COVID-19 outbreak resulted in China as the only major economy to register growth in 2020. But the Hong Kong economy is not immune to the COVID-19 induced disruptions. The aftermath of the social unrest in 2019, coupled with the stringent travel restrictions and social distancing measures to contain the virus, heavily affected the local consumer and retail businesses. Irrespective of the complex environment, Hong Kong still enjoys its advantage as a regional financial centre for international capital searching for opportunities to invest in this region, particularly in China. In 2020, Hong Kong retained as one of the best-performing markets for capital raising globally.

The Group’s principal revenue sources are from financial advisory services conducted both in Hong Kong and Xi’an, and investment properties located in Xi’an during the Year. Operating through different subsidiaries, each of them was affected by the pandemic and its economic consequences to various extents.

Total revenue from continuing operations of HK$223.7 million represented a drop of 47.4% compared with the year ended 31 March 2020 (the “**Previous Year**”). The decline in total revenue was mainly due to the suspension of the international trading business. The Group did not register any income from the international trading business in the Year. As previously explained, the international trading of critical electronics components business was the largest revenue generator of the Group in the past years. Yet because of the unsettled trade and technology tensions between the United States of America (the “**US**”) and China, and during the global COVID-19 crisis in particular, the market becomes highly volatile and unstable, the Group hence decided to suspend the international trading business for the time being.

The performance of the Group’s licensed alternative finance businesses in China, which currently comprise financial guarantee and factoring, remained stable. Due to our consistent and stringent credit policy, the Group had not experienced any significant change in the overall portfolio quality despite the challenging business environment. The portfolios of these financial services and the results of these two businesses maintained at a modest level. On 17 December 2019, the Group disposed 37.5% of the equity interest (the “**Disposal**”) of Chinlink Finance Lease Company Limited* (“**Finance Lease Company**”). As a result, the Group now only holds 25.0% equity interest of the Finance Lease Company. Therefore, the result of the Finance Lease Company for the Year was recorded as share of profit of an associate.

* *For identification purpose only*

Regardless of the challenging global economic and geopolitical environment, Hong Kong still upholds its financial centre status of the region and China, in particular. International capital influx continues to pursuit investment opportunities, especially in the technology and innovation areas. The continuous robust growth of the financial advisory services business operated under MCM Holdings Limited and its subsidiaries (collectively "**MCM Group**") is a good illustration. It recorded a 351.6% growth in the total revenue compared with Previous Year and had made a significant revenue contribution to the Group in the Year. MCM Group's 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.

The COVID-19 imposed some negative impacts on the Group, in particular, property investment business during the Year. However, as most of the existing tenancies of the Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the "**Commercial Complex**") were due to renew at the beginning of the Year, highly attractive terms were provided to retain the tenants during the Year. As a result, the income from the Commercial Complex dropped quite substantially, still the occupancy rate showed an increase to 96.0% during the Year. The COVID-19 had also deferred the tenants' move-in time of the Chinlink International Centre (the "**CIC**"). CIC started to record rental and management fee income from April 2020 onwards, which compensated part of the revenue drop of the Commercial Complex. Overall, the property investment business segment recorded a slight decrease of 2.3% in revenue this Year.

## Segmental Performance

### *Property Investment Business*

The property investment business recorded a total of HK$97.1 million revenue in the Year which showed a drop of 2.3% compared with the Previous Year. The revenue of the property investment business comprised HK$9.2 million from CIC and HK$87.9 million from the Commercial Complex. The Commercial Complex recorded a significant drop of 11.5% in revenue compared with Previous Year due to the disturbance of COVID-19 pandemic. The Commercial Complex had implemented a series of incentives, including short term rental allowance and a rent-free programme for tenancy renewal to retain the tenants. As a result, the average occupancy rate recorded 96.0% during the Year compared with 92.6% in the Previous Year, which showed that the relief measures were effective in tenants retention. CIC, a new revenue source of the Group, commenced contribution from the first quarter of the Year, and about 90% of its lettable area was entered into tenancy agreements as of 31 March 2021. As the tenants gradually moved in, CIC will generate more stable income for the segment in the times ahead.

* *For identification purpose only*

### *Financial Advisory Services Business*

For the Year, MCM Group recorded HK$87.1 million in commission and management fees income across its core activities of financial advisory and asset management, representing an over 351.6% income growth against the Previous Year's. On a net income basis, MCM Group grew over 231.0% when compared to the Previous Year. Through the last quarter of 2020 and into 2021, MCM Group has continued to capitalise on its investments, the performance in terms of revenues, profit and transaction volumes are the best since inception; Palantir Technologies Inc., a software company that specialises in big data analytics, a client of which MCM Group did extensive work and investments into, went public in the third quarter of 2020 and generated a successful return of over 5 times to early-stage investors, making it as one of MCM Group's most successful pre-initial public offering ("**IPO**") projects in years. Furthermore, MCM Group completed a series of landmark advisory roles and placements, MCM Group continues to see momentum building into the year ahead, with over USD$100 million in transaction volume during the first quarter of 2021, even within quite volatile equity markets and investor sentiment, and in line with the previous quarters, leaving MCM Group with optimism around the outlook for the 2021 full year results.

In MCM Investment Partners Limited ("**MCMIP**"), the asset management arm of MCM Group, its assets under management averaged around US$60 million, with growth in several of its existing co-investment private venture funds. Being highlighted in 2020/2021 interim results, the underlying investment of the funds had continued the progress towards exits, with one of the funds under advisory having a significant holding in Grab Holdings Inc., the Singapore mobility/superapp unicorn that announced its plans to list this summer through a special purpose acquisition company ("**SPAC**") merger with Altimeter Growth Corp., creating significant earnings in performance fees related to the original investment. Some of its latest stage investments are expected to benefit from potential listings in the coming quarters. Its earlier venture investments have weathered the challenges of COVID-19 well, with excellent prospects for their growth as the economy recovers. MCMIP has also launched a fund focused on the metals and mining sector in partnership with Emerging Markets Capital ("**EMC**"), a Hong Kong-based private investment boutique with unparalleled experience in this dynamic sector. The MCM Metal Ventures Fund had already made its first investments, one expected already to IPO in the Toronto Stock Exchange by this summer and a significant rise in value as compared to the initial investment cost. A second closing for this fund is expected in the next quarter. As mentioned in the 2020/2021 interim results, MCMIP is finalising details to sign a co-investment management agreement to launch a joint fund focused on private equity investments in the Greater Bay Area. MCMIP hopes this model of fund partnerships can be replicated with other partners in the region and internationally.

### *Financial Guarantee Services Business*

For the Year, the Group generated HK$17.9 million in revenue from the financial guarantee services. It showed a slight drop of 10.6% compared with the Previous Year. The total outstanding guarantee amount decreased to RMB313.6 million as of 31 March 2021 (Previous Year: RMB443.3 million), primarily because of the unstable credit environment during the Year. Consistent with our high standard risk management practice, there was no material bad debt loss during the Year.

### *International Trading Business*

The Group's international trading business principally deals with electronic components for use in smartphone and data storage. Owing to the continuous trade and technology disputes between China and the US, and the ongoing global economic disturbances caused by the COVID-19, demand for such components has substantially shrunken. The Group has adopted a cautious approach for trading this product category by temporarily suspending this business segment. Hence the Group recorded no income from international trading during the Year.

### *Logistics and Other Services Businesses*

Logistics and other services businesses comprised provision of logistics services and administrative services. During the Year, this segment recorded services income of HK$1.2 million (Previous Year: HK$12,000).

### *Discontinued Operation – Finance Lease Services Business*

After the Disposal, the result of the Finance Lease Company for the Year was recorded as share of profit of an associate.

## FINANCIAL REVIEW

### Profitability Analysis

For the Year, the Group's revenue from continuing operations was HK$223.7 million, reflecting a significant decrease of 47.4 % from HK$425.5 million in the Previous Year. Revenue contribution by segments comprised of: property investment of HK$97.1 million (2020: HK$99.4 million), financial advisory services of HK$87.1 million (2020: HK$19.3 million), financial guarantee services of HK$17.9 million (2020: HK$20.0 million), logistics and other services of HK$1.2 million (2020: HK$12,000) and other revenue of HK$20.5 million (2020: HK$19.4 million). No revenue was recorded from international trading business for the Year (2020: HK$267.5 million).

Gross profit for the Year increased gently to HK$155.9 million, up 7.7 % from HK$144.7 million in the Previous Year. Gross profit margin increased significantly to 69.7% from 34.0% in the Previous Year.

The decrease in revenue from continuing operations was mainly due to significant drop in revenue from international trading business but partially offset by the significant increase in revenue from financial advisory business. Since the gross profit margin of financial advisory business is much higher than that of international trading business, the decrease in gross profit from international trading business and property investment business was fully compensated by the increase in gross profit from financial advisory business. As a result, both the overall gross profit and overall gross profit margin increased.

Other income, gains and losses recorded a loss of HK$17.5 million (2020: a gain of HK$14.0 million) for the Year, mainly attributable to exchange loss arising from the appreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HK$**") during the Year but partially offset by (i) interest income from bank deposits; and (ii) government subsidy under Employment Support Scheme etc. During Previous Year, the gain comprised of (i) gain on non-substantial modification of financial liabilities measured at amortised cost; (ii) interest income from bank deposits; (iii) gain on disposal of 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$, but partially offset by the exchange loss arising from the depreciation of RMB against HK$.

During the Year, the Group disposed certain subsidiaries engaging in property holding and interior decoration in Hong Kong with significant accumulated losses and net liabilities. Gain from disposal of subsidiaries of HK$15.9 million was recorded (Previous Year: Nil) for the Year as the consideration was higher than the net assets/liabilities of these subsidiaries.

Gain on fair value change of investment properties amounted to HK$51.4 million (2020: HK$146.6 million) for the Year. It was mainly attributable to a fair value change of the Commercial Complex, the CIC and the logistics park located at Hantai district, Hanzhong City, Shaanxi Province, the PRC ("**Chinlink • Worldport**"). Such gain decreased significantly because real estate market in China was adversely affected by the COVID-19 pandemic. The overall momentum of the real estate prices in Xi'an City and Hanzhong City in the PRC weakened as compared to the past few years.

During the Year, share of profit of an associate amounted to HK$9.7 million (2020: HK$0.9 million) contributed by Finance Lease Company which the Group owns 25% equity interests after the Disposal completed in Previous Year. In Previous Year, the financial results of the Finance Lease Company before the completion of Disposal were recorded as loss from discontinued operations (including loss on Disposal) amounting to HK$11.8 million.

Administrative expenses from continuing operations, mainly composed staff costs, travelling expenses, depreciation, legal and professional fee amounted to HK$103.0 million for the Year, representing a decrease of HK$21.1 million as compared with HK$124.1 million of the Previous Year. The decrease was mainly due to reduction of staff costs as a result of the disposal of certain subsidiaries and significant decrease in legal and professional fee as in the Previous Year certain non-recurring complex financing activities of the Group were done.

Finance costs from continuing operations amounted to HK$250.0 million for the Year, representing an increase of HK$13.7 million as compared with HK$236.3 million in the Previous Year. Finance costs for the Year mainly incurred from (i) a two-year credit facility of US$48.7 million obtained in the Previous Year; (ii) the 13.0% Coupon Bonds with principal amount of US$30.0 million issued in the Previous Year; (iii) the 6.5% Coupon Bonds (as defined below); (iv) imputed interest arose from non-interest bearing loan borrowed from related companies and an independent third party; (v) bank loan from ChangAn Bank with principal of RMB400 million obtained in the Previous Year; and (vi) 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, as significant improvement in financial results was recorded by MCM Group during the Year and its prospects as mentioned under the section headed "Prospects" in this announcement, no further impairment on goodwill was made (2020: HK$15.3 million was made). Due to the uncertain investment outlook of the global capital market, impacted by US-China trade tensions and the adverse impact of COVID-19 pandemic, the Group will closely monitor the development and prospect of this business segment.

For the Year, the Group recorded a loss of HK$162.2 million (2020: HK$130.9 million) mainly due to (i) a significant decrease in gain on fair value change of investment properties; (ii) the temporary suspension of international trading business; (iii) exchange loss arising from the appreciation of RMB against HK$; and (iv) an increase in finance costs, but partially compensated by (i) the contribution from financial advisory business; (ii) decrease in administrative expenses; and (iii) gain on disposal of subsidiaries.

**Liquidity and Financial Resources**

As at 31 March 2021, the bank balances and cash and pledged bank deposits amounted to HK$236.8 million in total, representing a decrease of HK$37.5 million from HK$274.3 million in the Previous Year. The decrease was mainly due to the fund being utilised for expansion of financing business and repayment of bank and other borrowings during the Year.

As at 31 March 2021, the bank and other borrowings of the Group which were mainly denominated in HK$, RMB and US$ amounted to HK$1,549.3 million (31 March 2020: HK$1,460.7 million), representing an increase of HK$88.6 million from that of 31 March 2020, of which HK$942.5 million and HK$606.8 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 ("**9.0% Coupon Bonds**") issued on 25 July 2017 with aggregate principal amount of HK$100.0 million, unsecured, repayable on 25 July 2020 (as amended by the deed of amendment dated 25 July 2019) and interest bearing at 9.0% per annum, was fully repaid during the Year. Pursuant to the terms of the instrument of the 9.0% Coupon Bonds, Mr. Li Weibin ("**Mr. Li**") (the ultimate controlling shareholder and an executive Director of the Company) 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, failing which the 9.0% Coupon Bonds shall be immediately redeemable.

***6.5% Coupon Bonds***

6.5% coupon bonds (the "**First 6.5% Coupon Bonds**") with aggregate principal amount of HK$200.0 million were issued in four tranches on 7 August 2019, 8 August 2019, 19 August 2019 and 6 September 2019. The First 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. During the year, the First 6.5% Coupon Bonds were matured, of which HK$41.5 million were redeemed by the Company and the remaining principal of HK$158.5 million which remained outstanding as at 31 March 2021 were extended for one year pursuant to the deed of amendment dated 6 August 2020.

On 23 July 2020, the Company entered into a placing agreement with a placing agent to issue another 6.5% coupon bonds ((the "**Second 6.5% Coupon Bonds**"), with the First 6.5% Coupon Bonds, collectively the "**6.5% Coupon Bonds**") with principal amount of up to HK$100.0 million, under best effort basis. The Second 6.5% Coupon Bonds are secured by the equity interests of a subsidiary, repayable on the day falling on the first anniversary of the issue date, interest bearing at 6.5% per annum and guaranteed by Mr. Li. As at 31 March 2021, the first tranche of the Second 6.5% Coupon Bonds with principal of HK$66.5 million were issued on 23 July 2020 and the proceeds were used for refinancing the existing borrowings. Details of the Second 6.5% Coupon Bonds are set out in the announcements of the Company dated 23 July 2020, 4 August 2020, 25 September 2020, 24 November 2020 and 1 March 2021. It is a condition of the 6.5% Coupon Bonds 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, failing which the 6.5% Coupon Bonds shall be immediately redeemable.

Save as disclosed above, the Company has not entered into any significant 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.

As at 31 March 2021, the Group recorded net current liabilities of HK$1,233.6 million (31 March 2020: HK$1,350.2 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.33 (31 March 2020: 0.28). The improvement in current ratio was mainly due to the increase in loan receivables which was attributable to the allocation of resources to financing service business.

**Change in Capital Structure**

During the Year, the Company conducted a Capital Reorganisation (as defined below), which included (i) Share Consolidation (as defined below); (ii) Capital Reduction (as defined below); (iii) Diminution and Increase (as defined below). After the Capital Reorganisation, the Company raised fund by way of Rights Issue (as defined below).

**Capital Reorganisation**

On 14 December 2020, the Board proposed to implement the share consolidation ("**Share Consolidation**") whereby every 5 issued and unissued existing shares (with nominal value of HK$0.3125 each) of the Company would be consolidated into 1 consolidated share (with nominal value of HK$1.5625 each) ("**Consolidated Share**"). Immediately after the Share Consolidation became effective, the issued share capital of the Company was reduced by cancelling the paid-up share capital of the Company to the extent of HK$1.5525 on each of the then issued Consolidated Share such that the nominal value of each issued Consolidate Share was reduced from HK$1.5626 to HK$0.01 ("**Capital Reduction**"). The credit arose from the Capital Reduction of HK$453,829,809 was transferred to the contributed surplus account.

Upon the Capital Reduction taking effect, all the authorised but unissued share capital (with nominal value of HK$1.5625 each) of the Company be cancelled and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK$625,000,000 by the creation of such number of additional shares (with nominal value of HK$0.01 each) as shall be sufficient to increase the authorised share capital of the Company to HK$625,000,000 divided into 62,500,000,000 shares (with nominal value of HK$0.01 each) ("**Diminution and Increase**").

Share Consolidation, Capital Reduction and Diminution and Increase (collectively, "**Capital Reorganisation**") were approved by the shareholders of the Company (the "**Shareholders**") at the special general meeting held on 17 February 2021 and became effective on 19 February 2021. Details of the Capital Reorganisation are set out in the announcements of the Company dated 14 December 2020, 8 January 2021 and 17 February 2021 and in the Company's circular dated 25 January 2021.

**Rights Issue**

On 14 December 2020, the Company announced its proposal to raise funds by way of rights issue (the "**Rights Issue**") of three rights shares for every one share held by the qualifying shareholders at the subscription price of HK$0.38 per rights share (the "**Rights Share**"). The Rights Issue was subject to the Capital Reorganisation becoming effective.

Pursuant to the underwriting agreement dated 14 December 2020 (as supplemented by a supplemental underwriting agreement dated 8 January 2021), entered into among Emperor Securities Limited (the "**Underwriter**"), the Company, Mr. Li, the chairman and executive director of the Company and Wealth Keeper International Limited ("**Wealth Keeper**") (a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Li), Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken in the underwriting agreement in favour of the Company and the Underwriter to (i) subscribe for or procure the subscription for the 40,008,360 Rights Shares to which Mr. Li is entitled, and 494,857,920 Rights Shares to which Wealth Keeper is entitled pursuant to the Rights Issue respectively; and (ii) not to subscribe for any excess Right Shares under excess applications. Mr. Li has further undertaken to the Company and the Underwriter that he will not exercise any of the vested share options which he is entitled on or before 23 February 2021, which was the latest time for exercising the vested share options in order to be qualified for the Rights Issue.

The subscription price represents: (i) a discount of approximately 13.64% to the theoretical closing price of HK$0.44 per adjusted share (after taking into account the effect of the Capital Reorganisation) ("**Adjusted Share**") based on the closing price of HK$0.088 per share (before Capital Reorganisation becomes effective) ("**Existing Share**") as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 December 2020; (ii) a discount of approximately 15.74% to the theoretical closing price of HK$0.451 per Adjusted Share based on the average closing price of HK$0.0902 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 14 December 2020; (iii) a discount of approximately 16.21% to the average theoretical closing price of approximately HK$0.4535 per Adjusted Share based on the average closing price of approximately HK$0.0907 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 14 December 2020; (iv) a discount of approximately 4.58% to the theoretical ex-rights price of approximately HK$0.3983 per Adjusted Share based on the benchmark price of HK$0.0906 per Existing Share; (v) a discount of approximately 93.79% to the net asset value of the Company of approximately HK$6.11 per Adjusted Share based on the unaudited net asset value attributable to owners of the Company of approximately HK$1,787.5 million as at 30 September 2020 and 292,321,938 Adjusted Shares assuming the Capital Reorganisation has become effective; (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 12.09% of the theoretical ex-rights price of HK$0.3983 per Adjusted Share to the benchmarked price of HK$0.0906 per Existing Share; and (vii) a discount of approximately 1.30% to the closing price of HK$0.385 per Adjusted Share as quoted on the Stock Exchange on 24 February 2021, being the latest practicable date prior to printing the prospectus of the Rights Issue.

The Rights Issue was approved by the Shareholders at the special general meeting held on 17 February 2021 and completed on 25 March 2021. 876,965,814 new Rights Shares with total nominal value of approximately HK$8.77 million were issued on the same day. The gross proceeds and net proceeds from the Rights Issue amounted to approximately HK$333.3 million and HK$327.6 million respectively and were used for the repayment of outstanding debts and borrowings of the Group. The net price per rights share after deducting the related expenses of the Rights Issue was approximately HK$0.374. Details of the Rights Issue are set out in the announcements of the Company dated 14 December 2020, 8 January 2021, 17 February 2021 and 24 March 2021, the Company's circular dated 25 January 2021 and the Company's prospectus dated 3 March 2021 respectively.

**Share Capital**

As at 31 March 2020, the authorised share capital of the Company was HK$625.0 million divided into 2,000,000,000 shares with nominal value of HK$0.3125 each. After the completion of Capital Reorganisation and as at 31 March 2021, it became HK$625.0 million divided into 62,500,000,000 shares with nominal value of HK$0.01 each.

As at 31 March 2020, the issued share capital of the Company was HK$456.75 million divided into 1,461,609,692 shares with nominal value of HK$0.3125 each. After completion of Capital Reorganisation, it became HK$2.92 million divided into 292,321,938 shares with nominal value of HK$0.01 each. After the completion of Rights Issue, 876,965,814 new Rights Shares with total nominal value of approximately HK$8.77 million were issued. As at 31 March 2021, the issued share capital of the Company was HK$11.69 million divided into 1,169,287,752 shares with nominal value of HK$0.01 each.

**Gearing Ratio**

The Group's gearing ratio as at 31 March 2021 was 0.59 (31 March 2020: 0.62) which was calculated based on the Group's total liabilities of HK$3,110.5 million (31 March 2020: HK$2,929.7 million) and the Group's total assets of HK$5,284.2 million (31 March 2020: HK$4,691.1 million). The improvement in the gearing ratio was mainly due to decrease in debts and borrowings with the use of net proceeds from the Rights Issue during the Year and the appreciation of RMB against HK$ as the major assets, for instance, the investment properties are denominated in RMB.

### Material lending transactions

As part of the normal course of business of the Group, the Group provided certain financial services to its customers, which included i) provision of various type of lending, for instance, factoring loans; entrusted loans; and other loans etc.; and ii) provision of financial guarantee service.

As at 31 March 2021, the Group has total loan receivables amounting to HK$291.8 million, all of which are repayable within 1 year from 31 March 2021 with interest rate ranging from 6.0% to 18.0% per annum. HK$238.2 million of the loan receivables ("**Secured Loan Receivables**") are generally guaranteed by the legal representatives, shareholders of the customers, independent third party individuals and/or independent third party corporations and certain portion were secured by trade receivables, the forest felling right owned by the customer or operating income of the customer and remaining HK$53.6 million are unsecured ("**Unsecured Loan Receivables**").

As at 31 March 2021, HK$22.8 million and HK$53.5 million of the Secured Loan Receivables and Unsecured Loan Receivables respectively were overdue and HK$22.8 million was fully recovered as the date of this announcement. Based on the valuation performed by a qualified valuer, expected credit loss of HK$5.7 million was provided for the Year.

Under the provision of financial guarantee services, the Group agreed to guarantee the settlement by its customers of the obligation under the bank loan agreements entered into by its customers (as the borrowers) and the banks (as the lenders). As at 31 March 2021, the total guarantee sum provided by the Group to the lending banks amounted to HK$371.0 million. All of the loans guaranteed by the Group are repayable within 1 year from 31 March 2021. The guarantee fee and consultancy fee (in aggregate) charged to its customers are generally ranging from 2% to 7% of the loan principal per annum. The guarantee arrangements are generally counter-guaranteed by the legal representatives, shareholders of the customers, independent third party individuals, and/or independent third party corporations. Certain portions are also secured by i) cash deposits; ii) trade receivables; iii) real estate properties; iv) operating income; v) the forest felling right; vi) plant and machinery owned by the customer; and vii) equity interest of certain PRC corporations. No underlying bank loan was overdue as at 31 March 2021. Based on the valuation performed by a qualified valuer, expected credit loss of HK$4.1 million was provided.

### Foreign Currency Exposure

The Group's revenue, expenses, major assets and liabilities were mainly denominated in HK$, RMB and US$. During the Year, the exchange rate of RMB to HK$ appreciated slightly. 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 2021, the Group had pledged (i) bank deposits of HK$207.6 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$23.8 million to secure obligations under banking facilities; and (iii) certain investment properties with fair value of HK$3,260.3 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 2021, the Group had capital commitments contracted but not provided for amounting to HK$456.2 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 and disposal of assets.

## Events after the reporting period

After the outbreak of COVID-19 infection in early 2020, a series of precautionary and control measures have been and continued to be implemented across many countries/regions. The Group will pay close attention to the development of COVID-19 infection and evaluate its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial and operating performance may be affected, the extent to which cannot be estimated as at the date of this announcement.

Save as disclosed above, there is no significant subsequent events after the year end date of 31 March 2021.

## Final Dividend

The Directors do not recommend the payment of final dividend for the Year (2020: 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 shareholder 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 2021, the Group had 37 employees in Hong Kong, 217 employees in China and 1 employee in the United Kingdom (31 March 2020: 44 employees in Hong Kong and 246 employees in China and 1 employee 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

The global economic and social landscapes substantially changed as the world entered the second year of the COVID-19 pandemic. Countries are becoming more inward-looking, self-protective and populistic. Globalisation, long considered to be the best route to economic prosperity, is beginning to fracture. The geopolitical situation is becoming so prohibitive for international business and cooperation. The intense rivalry between China and the US shows no sign of abating, despite a change of administration in the US. It seems like the US is seeking to foster a cold war front with its alliance to counter the growth of China's economic and political powers. With its internal issues exploded into social unrest in 2019, Hong Kong has become a focal point of geopolitical conflicts. There are concerns if Hong Kong can continue to retain its core competence as an international financial centre.

China has made amazing transformation in the past four decades. It has become the second largest economy after the US, and has marked the greatest wealth creation story in human history by lifting more than 800 million people from poverty in one to two generations. Moreover, China is constantly adjusting its development strategy to cope with the changing external environment. It will strive to reduce its dependence on other countries in strategically important areas like energy and technology, to shield itself from external disruption. The new dual circulation strategy recently adopted to emphasis domestic consumption is the engine of growth under the 14th Five-Year Plan for 2021-2025. China's vast market, a growing middle class, is a magnet for foreign capital and investment. The impressive industrial capabilities and rapid development in science and technology have made China an indispensable part of the global supply chain. Hong Kong has long been hailed as the gateway to China and a regional hub in Asia for its successes in trading, transportation, logistics, financial and professional services. It is a worldwide consensus that Asia will lead the world economic growth in this century, Hong Kong's importance will not be undermined even under the current geopolitical situation, especially as a regional intersection for global capital markets, and China, in particular, helping the fast-growing technology companies to raise fund from investors worldwide.

In 2020, the Stock Exchange is the preferred location for Chinese companies' IPO, partly driven by the US hostile stance against China, ranking as the world's second-largest IPO market only behind Nasdaq.

MCM Group, the investment banking arm of the Group, has reported an outstanding performance during the Year, to a great extent attributed to the Hong Kong euphoric market. The Group holds the view that Hong Kong will play a long-term pivotal role as Asian economies, with China at the forefront, continue with their outstanding development paths. Taking these advantages, the Group will be more focused on our financial services, with MCM Group as a Hong Kong-based licensed operations in financial advisory and asset management through its international network, supplemented by the alternative financial services in China backed by strong industry connections and local government supports. MCM Group will continue to broaden its investor and distribution bases through strong partnerships both in Asia and abroad with some of the most recognised ventures, private equities and private credit funds in Asia, North America and Latin America.

Asset management will be a crucial focus for the Group in the coming years. With China's emphasis on technology self-reliance and sustainable development, many new investment opportunities arise through our onshore connections with local governments, research institutes and start-up incubation. With MCM Group taking the lead, the Group is working on a few industry-focused or regional-based venture funds targeted to rollout in the coming near term. Such business not only provides steady fund management income but also upscales possibilities for further funding raising and advisory services.

As financial services will be the key driver for the Group's business growth, we intend to monetarise our investment property portfolio as much as possible to provide liquidity for debt reduction and capital to expand the financial services.

Certain progress has been made to realise cash flow from the investment properties. The construction of the phase two development of the Commercial Complex (the "**Phase Two Development**") experienced delay due to the COVID-19. The original schedule for a pre-sale of the service apartment was January 2021. However, because of the pandemic disruption and a new governing policy regarding property pre-sale, the new schedule for the commencement of the pre-sale will be in the third quarter of 2021. The Group expects there will be substantial sales income from the pre-sale. The Group's new office and retail complex, the CIC, is officially completed with the issue of property titles at the end of May 2021. Almost entire office and retail spaces have been let and about 60.0% of the tenants have moved in, and a new and steady cash inflow is secured. Our project in Hanzhong, Chinlink • Worldport, has not generated any return up to this stage. We are working closely with the Hanzhong Municipal Government and planning to set up a joint venture company in order to liquidate the land and properties in the Hanzhong project.

By capturing the opportunities afforded by the rise of China and other Asian economies and Hong Kong's strategic role as a regional integrator of financial services, the Group is threshold of converting to a light asset business model by specialising in financial and innovation services. The investment property portfolio will remain as a cash generator and asset back up, with a longer term view to liquidate as situation allows.

## 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 2020/2021 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 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 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 2021, 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$162,179,000 for the year ended 31 March 2021 and, as of that date the Group had net current liabilities of approximately HK$1,233,643,000, while its bank balances and cash amounted to approximately HK$29,165,000 only as at 31 March 2021. 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 2020/2021 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 2021

*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; and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.*