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MACROLINK CAPITAL HOLDINGS LIMITED

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Board”) of Macrolink Capital Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year 2021, which have been reviewed by the Company’s audit committee (the “Audit Committee”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	4	764,114	486,321
Cost of sales and services		<u>(743,006)</u>	<u>(466,310)</u>
Gross profit		21,108	20,011
Other income, gains and losses, net	4	15,140	4,308
Administrative expenses		(29,002)	(55,662)
Other operating (expenses)/income, net		(4,500)	10,316
Fair value losses on investment properties, net		(5,078)	(2,322)
Impairment loss on other intangible assets		<u>–</u>	<u>(6,190)</u>
Operating loss from continuing operations	5	(2,332)	(29,539)
Finance costs	6	<u>(4,137)</u>	<u>(4,141)</u>
Loss before tax from continuing operations		(6,469)	(33,680)
Income tax credit	7	<u>1,943</u>	<u>1,458</u>
Loss for the year from continuing operations		<u>(4,526)</u>	<u>(32,222)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Discontinued operation			
Loss for the year from a discontinued operation	8	—	(3,793)
Loss for the year		(4,526)	(36,015)
Attributable to:			
<i>Owners of the Company</i>			
Loss for the year from continuing operations		(4,526)	(32,222)
Loss for the year from a discontinued operation		—	(330)
		(4,526)	(32,552)
<i>Non-controlling interests</i>			
Loss for the year from continuing operations		—	—
Loss for the year from a discontinued operation		—	(3,463)
		—	(3,463)
		(4,526)	(36,015)
Loss per share attributable to owners of the Company from continuing and discontinued operations			
Basic and diluted (HK cents per share)	9	(0.38)	(2.70)
Loss per share attributable to owners of the Company from continuing operations			
Basic and diluted (HK cents per share)	9	(0.38)	(2.67)
Loss per share attributable to owners of the Company from a discontinued operation			
Basic and diluted (HK cents per share)	9	—	(0.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(4,526)</u>	<u>(36,015)</u>
Other comprehensive (expenses)/income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Reclassification of exchange fluctuation reserve to profit or loss upon deemed disposal of a subsidiary	–	(5,746)
Exchange differences on translation of foreign operations	<u>(6,476)</u>	<u>14,701</u>
	<u>(6,476)</u>	<u>8,955</u>
Total comprehensive expenses for the year	<u><u>(11,002)</u></u>	<u><u>(27,060)</u></u>
Attributable to:		
Owners of the Company	(11,002)	(23,632)
Non-controlling interests	<u>–</u>	<u>(3,428)</u>
	<u><u>(11,002)</u></u>	<u><u>(27,060)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		37,733	38,509
Investment properties		68,961	76,414
Right-of-use assets		369	39,125
Other intangible assets		–	–
Equity investments at fair value through profit or loss		–	32,922
Deposit for acquisition of a subsidiary		–	50,000
		<hr/>	<hr/>
Total non-current assets		107,063	236,970
Current assets			
Inventories		30,221	22,028
Accounts receivable	<i>11</i>	–	–
Prepayments, deposits and other receivables		21,309	19,235
Tax recoverable		8	4
Amounts due from related companies		997	951
Amounts due from an investee company		–	18,744
Financial instruments at fair value through profit or loss		15,539	16,121
Cash and bank balances		98,348	114,006
		<hr/>	<hr/>
Total current assets		166,422	191,089
Current liabilities			
Accounts payable	<i>12</i>	805	2,749
Other payables and accruals		44,010	47,433
Interest-bearing other borrowings		13,597	28,115
Amount due to immediate holding company		100,000	–
Amounts due to related companies		12,571	193,024
Lease liabilities		375	7,261
		<hr/>	<hr/>
Total current liabilities		171,358	278,582
		<hr/>	<hr/>
Net current liabilities		(4,936)	(87,493)
		<hr/>	<hr/>
Total assets less current liabilities		102,127	149,477
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	–	33,503
Deferred tax liabilities	<u>30,214</u>	<u>33,059</u>
Total non-current liabilities	<u>30,214</u>	<u>66,562</u>
Net assets	<u><u>71,913</u></u>	<u><u>82,915</u></u>
Equity		
Equity attributable to owners of the Company		
Share capital	120,625	120,625
Reserves	<u>(48,712)</u>	<u>(37,710)</u>
Total equity	<u><u>71,913</u></u>	<u><u>82,915</u></u>

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

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

The Group recorded net loss of approximately HK\$4,526,000 during the year ended 31 December 2022 and it had net current liabilities of approximately HK\$4,936,000 as at 31 December 2022. These events or conditions may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Exploring the possibility and speeding up the process of disposing assets of the Group to enhance its liquidity position;
- (c) Soliciting for further financing arrangements which include funding from related companies of the Group; and
- (d) Obtained an amount owing to the immediate holding company to which the Group was indebted in an amount of HK\$100,000,000 as at 31 December 2022. The immediate holding company has undertaken not to request for repayment of the indebted amount for twelve months from the date of this announcement.

Based on the Group’s cash flow projections, taking into account of the above measures covering a period of fifteen months from the end of the reporting period prepared by the management, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the amendments to HKFRSs effective as of 1 January 2022 below.

The Group has adopted the following amendments to HKFRSs for the first time for the current year's consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the amendments to HKFRSs in the current year has 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.

3. SEGMENT INFORMATION

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

- (a) the property investment and development segment engages in leasing and sale of properties;
- (b) the property management services segment provides property management services;
- (c) the securities investments segment engages in investing in listed securities;
- (d) the trading of mineral products segment engages in the trading of mineral concentrates, electrolytic cobalt, nickel beads and nickel beans;
- (e) the coal mining segment engages in the exploration and development of coal mine concessions and mining for sale of coal; and
- (f) the others segment engages in the sale of parts of mining equipment.

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

3. SEGMENT INFORMATION (Continued)

Segment assets exclude non-current equity investments at fair value through profit or loss, deposit for acquisition of a subsidiary, cash and cash equivalents, amounts due from related companies, amounts due from an investee company and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing other borrowings, amount due to immediate holding company, amounts due to related companies and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segments results

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

Year ended 31 December 2022

	Continuing operations						Total HK\$'000
	Property investment and development HK\$'000	Property management services HK\$'000	Securities investments HK\$'000	Trading of mineral products HK\$'000	Coal mining HK\$'000	Others HK\$'000	
Segment revenue:							
Sales to/revenue from external customers	4,464	14,143	-	744,695	-	-	763,302
Investment income	-	-	812	-	-	-	812
Total revenue and investment income	4,464	14,143	812	744,695	-	-	764,114
Segment results	(5,284)	16,651	812	1,208	4,121	(739)	16,769
Bank interest income and other unallocated income, gains and losses, net							7,332
Corporate and other unallocated expenses							(26,433)
Unallocated finance costs							(4,137)
Loss before tax from continuing operations							(6,469)

3. SEGMENT INFORMATION (Continued)

Segment results (Continued)

Year ended 31 December 2021

	Continuing operations						Total HK\$'000
	Property investment and development HK\$'000	Property management services HK\$'000	Securities investments HK\$'000	Trading of mineral products HK\$'000	Coal mining HK\$'000	Others HK\$'000	
Segment revenue:							
Sales to/revenue from external customers	4,398	14,317	-	467,078	-	1,147	486,940
Investment income	-	-	(619)	-	-	-	(619)
Total revenue and investment income	<u>4,398</u>	<u>14,317</u>	<u>(619)</u>	<u>467,078</u>	<u>-</u>	<u>1,147</u>	<u>486,321</u>
Segment results	<u>(1,012)</u>	<u>13,041</u>	<u>(619)</u>	<u>1,618</u>	<u>(22,797)</u>	<u>(3,648)</u>	<u>(13,417)</u>
Bank interest income and other unallocated income and gains							21,396
Corporate and other unallocated expenses							(37,518)
Unallocated finance costs							<u>(4,141)</u>
Loss before tax from continuing operations							<u>(33,680)</u>

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities and other segment information

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

Year ended 31 December 2022

	Continuing operations						Total HK\$'000
	Property investment and development HK\$'000	Property management services HK\$'000	Securities investments HK\$'000	Trading of mineral products HK\$'000	Coal mining HK\$'000	Others HK\$'000	
Assets and liabilities:							
Segment assets	77,199	5	15,591	32,955	474	287	126,511
Corporate and other unallocated assets							146,974
Total assets							273,485
Segment liabilities	37,947	237	-	2,205	4,783	1,058	46,230
Corporate and other unallocated liabilities							155,342
Total liabilities							201,572
Other segment information:							
Depreciation and amortisation charged in profit or loss	1	3,258	-	4	-	4	3,267
Corporate and other unallocated amounts							3,416
							6,683
Fair value losses on investment properties, net	5,078	-	-	-	-	-	5,078
Write-down of inventories	-	-	-	-	-	993	993
Reversal of impairment loss on accounts receivable	-	-	-	-	-	(627)	(627)
Provision/(reversal) of impairment loss on prepayments, deposits and other receivables, net	-	-	-	-	5	(25)	(20)
Gain on waiver of rent from lessor	-	(8,124)	-	-	-	-	(8,124)
Loss on termination of lease	-	1,231	-	-	-	-	1,231

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities and other segment information (Continued)

Year ended 31 December 2021

	Continuing operations						Total HK\$'000
	Property investment and development HK\$'000	Property management services HK\$'000	Securities investments HK\$'000	Trading of mineral products HK\$'000	Coal mining HK\$'000	Others HK\$'000	
Assets and liabilities:							
Segment assets	85,555	37,871	16,126	26,016	476	1,216	167,260
Corporate and other unallocated assets							260,799
Total assets							428,059
Segment liabilities	42,477	39,504	-	121	6,490	4,521	93,113
Corporate and other unallocated liabilities							252,031
Total liabilities							345,144
Other segment information:							
Depreciation and amortisation charged in profit or loss	2	1,657	-	6	282	6	1,953
Corporate and other unallocated amounts							3,435
							5,388
Fair value losses on investment properties, net	2,322	-	-	-	-	-	2,322
Impairment loss on property, plant and equipment	-	-	-	-	830	-	830
Write-down of inventories	-	-	-	-	-	295	295
Impairment loss on other intangible assets	-	-	-	-	6,190	-	6,190
Provision/(reversal) of impairment loss on accounts receivable, net	-	-	-	-	25	(69)	(44)
Provision of impairment loss on prepayments, deposits and other receivables, net	-	-	-	-	1,864	2	1,866
Capital expenditure [#]	-	38,911	-	-	-	-	38,911

[#] Capital expenditure consists of additions to right-of-use assets.

3. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Year Ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
The People's Republic of China ("PRC")	763,302	485,793
Peru	–	1,147
Hong Kong	812	(619)
	<u>764,114</u>	<u>486,321</u>

The revenue information of continuing operations above is based on the location of the customers.

(b) Non-current assets

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
PRC	69,171	114,517
Peru	37,522	38,269
Hong Kong	370	1,262
	<u>107,063</u>	<u>154,048</u>

The non-current assets information of continuing operations above is based on the locations of assets and excludes financial instruments.

Information about major customers

Revenue from continuing operations from customers of corresponding years contributing over 10% of total revenue of the Group are as follows:

	Year Ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Customer A (attributable to trading of mineral products segment)	154,108	121,339
Customer B (attributable to trading of mineral products segment)	100,631	83,561
Customer C (attributable to trading of mineral products segment)	151,581	–
Customer D (attributable to trading of mineral products segment)	107,164	–
	<u>107,164</u>	<u>–</u>

4. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's revenue and other income, gains and losses from continuing operations is as follows:

	Year Ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Revenue from contracts with customers		
Sale of mineral concentrates	744,695	467,078
Sale of parts of mining equipment	–	1,147
Property management services income	14,143	14,317
Revenue from other sources		
Gross rental income	4,464	4,398
Fair value losses, net:		
Equity investments at FVTPL – held for trading	(914)	(1,954)
Dividend income	1,726	1,335
	<u>764,114</u>	<u>486,321</u>
Other income, gains and losses, net		
Other income and gains		
Bank interest income	418	335
Property agency commission income	621	904
Management fee income	796	1,612
Gain on Covid-19-related rent concession from lessor	–	1,207
Gain on waiver of rent from lessor	8,124	–
Net foreign exchange gain	6,325	–
Waiver of amounts due to directors	720	–
Government grants	96	–
Others	18	250
	<u>17,118</u>	<u>4,308</u>
Other losses		
Loss on termination of lease	(1,231)	–
Others	(747)	–
	<u>(1,978)</u>	<u>–</u>
	<u>15,140</u>	<u>4,308</u>

During the year ended 31 December 2022, the Group recognised government grants of HK\$96,000 (2021: nil) in respect of the Employment Support Scheme provided under the Anti-epidemic Fund by the Hong Kong Government. The grants were recognised when the required employment conditions were fulfilled.

5. OPERATING LOSS FROM CONTINUING OPERATIONS

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

	Note	Year Ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Employee benefits expense (excluding directors' remuneration)			
Salaries, wages and other benefits in kind		11,845	12,792
Contributions to retirement benefits schemes		859	941
		<u>12,704</u>	<u>13,733</u>
Auditors' remuneration		870	900
Depreciation of right-of-use assets		4,143	2,583
Cost of inventories recognised as an expense	(ii)	742,560	465,694
Depreciation of property, plant and equipment		2,540	2,805
Net foreign exchange loss		–	22,225
Reversal of impairment loss on accounts receivable, net	(i)	(627)	(44)
(Reversal)/provision of impairment loss on prepayments, deposits and other receivables, net	(i)	(20)	1,866
Lease payments relating to short-term leases in respect of land and buildings		167	79
(Reversal)/provision for compensation claims	(i)	(2,125)	5,032
Fair value loss/(gain) on unlisted equity investments at FVTPL	(i)	6,279	(18,295)
Impairment loss on property, plant and equipment	(i)	–	830
		<u>–</u>	<u>830</u>
Gross rental income from investment properties		(4,464)	(4,398)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the year		–	84
		<u>–</u>	<u>84</u>
		<u>(4,464)</u>	<u>(4,314)</u>

Notes:

- (i) Amounts are included in "Other operating (expenses)/income, net" in the consolidated statement of profit or loss.
- (ii) The amount included write-down on inventories of HK\$993,000 (2021: HK\$295,000).

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year Ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings wholly repayable within five years	1,587	2,493
Loan arrangement fee for other loan	440	460
Interest on lease liabilities	2,110	1,188
	<u>4,137</u>	<u>4,141</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year Ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – elsewhere		
Over-provision in prior years	–	(24)
Deferred tax credit	(2,191)	(1,568)
Withholding tax charge		
– PRC	248	134
	<u>248</u>	<u>134</u>
Total tax credit for the year	<u>(1,943)</u>	<u>(1,458)</u>

8. DISCONTINUED OPERATION AND DEEMED DISPOSAL OF A SUBSIDIARY

Reference was made to a civil ruling dated 26 January 2021 issued by the Intermediate People's Court of Loudi City, Hunan Province, the PRC ("Loudi Intermediate Court"), pursuant to which Loudi Intermediate Court ruled that the mandatory dissolution order (the "Mandatory Dissolution Ruling") was made against the Company's indirectly 60% owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), and requested Hunan Taiji should proceed to a mandatory dissolution to be implemented by Loudi Intermediate Court from 26 January 2021.

On 15 April 2021, Loudi Intermediate Court reiterated its ruling and issued a civil judgement (民事決定書), pursuant to which Loudi Intermediate Court implemented the Mandatory Dissolution Ruling, including, inter alia, the formation of a dissolution team which was ordered to proceed with the mandatory dissolution of Hunan Taiji. As a result, the directors of the Company have concluded that the Group lost its control over Hunan Taiji on 15 April 2021.

Hunan Taiji, which was engaged in the manufacture and sale of construction materials, was reclassified as a discontinued operation of the Group during the year ended 31 December 2021 upon the deemed disposal of Hunan Taiji on 15 April 2021. Accordingly, the management of the Company had determined that Hunan Taiji was de-consolidated from the consolidated financial statements of the Group with effect from 15 April 2021 ("deemed disposal of a subsidiary") and recognised as equity investments at FVTPL.

The results from the discontinued operation are analysed and presented as follows:

	Period from 1 January 2021 to 15 April 2021 <i>HK\$'000</i>
Discontinued operation	
Revenue	–
Cost of sales and services	–
Gross profit	–
Other income and gains	–
Administrative expenses	(2,418)
Other operating expenses, net	(6,192)
Gain on deemed disposal of Hunan Taiji	4,817
Loss for the period from a discontinued operation	<u>(3,793)</u>
Loss for the period attributable to:	
Owners of the Company	(330)
Non-controlling interests	<u>(3,463)</u>
	<u>(3,793)</u>

9. LOSS PER SHARE

(a) Continuing and discontinued operations

The calculation of basic and diluted loss per share from continuing and discontinued operations are based on the following data:

	Year Ended 31 December	
	2022	2021
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculations (HK\$'000)	<u>(4,526)</u>	<u>(32,552)</u>
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	<u>1,206,249,251</u>	<u>1,206,249,251</u>

(b) Continuing operations

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

	Year Ended 31 December	
	2022	2021
Loss for the year attributable to owners of the Company from continuing operations (HK\$'000)	<u>(4,526)</u>	<u>(32,222)</u>

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

(c) Discontinued operation

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

	Year Ended 31 December	
	2022	2021
Loss for the year attributable to owners of the Company from discontinued operation (HK\$'000)	<u>-</u>	<u>(330)</u>

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

The Company had no potential ordinary shares in issue as at 31 December 2022 and 2021.

10. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. ACCOUNTS RECEIVABLE

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Accounts receivable	624	1,196
Impairment	(624)	(1,196)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	–	–

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

12. ACCOUNTS PAYABLE

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 1 month	409	2
1 to 3 months	–	–
Over 3 months	396	2,747
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	805	2,749

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2022 (the “Reporting Year”), the Company and its subsidiaries (together the “Group”) recorded revenue of approximately HK\$764,114,000, representing a significant increase of 57.12% over HK\$486,321,000 of last year. The increase in revenue was mainly attributable to the expansion in business scale of the trading of mineral products business relating to nickel cathodes with increased trading volume and amount during the Reporting Year. The Group’s gross profit during the Reporting Year was approximately HK\$21,108,000 (2021: HK\$20,011,000), thanks to the contribution from the trading of mineral products business segment and the property management services business segment. During the Reporting Year, as (1) the administrative expenses decreased to approximately HK\$29,002,000 from approximately HK\$55,662,000; and (2) the Group’s other income, gains and losses, net increased from approximately HK\$4,308,000 to approximately HK\$15,140,000, which were mainly attributable to the recognition of the net foreign exchange gain of approximately HK\$6,325,000 (2021: net foreign exchange loss of approximately HK\$22,225,000), and gain on waiver of rent from lessor in an amount of approximately HK\$8,124,000 (2021: gain on Covid-19-related rent concession from lessor of approximately HK\$1,207,000) by the Group during the Reporting Year, the Group was able to record operating loss for the Reporting Year from continuing operations of approximately HK\$2,332,000, compared to operating loss from continuing operations in an amount of approximately HK\$29,539,000 of last year. The Group recognised a loss of approximately HK\$4,526,000 for the Reporting Year (2021: HK\$36,015,000). Basic and diluted loss per share from continuing and discontinued operations attributable to shareholders of the Company was HK cents 0.38 (2021: HK cents 2.70).

OPERATION REVIEW

Trading of mineral products business

During the Reporting Year, the trading of mineral products business segment principally operates in two main aspects: (1) Overseas Nickel Trading-sourcing mineral concentrates (branded electrolytic nickel cathodes) from Russia and exporting them to the trading intermediates and end customers in the PRC and (2) Onshore Nickel Trading-sourcing nickel concentrates and nickel products in the PRC and selling them to the end customers in the PRC.

During the Reporting Year, with regard to the Overseas Nickel Trading, with limited availability of product supply, the Group was only able to trade an aggregate volume of approximately more than 1,233 tons (2021: more than 1,733 tons) of nickel, with revenue of approximately HK\$254,331,000 (2021: HK\$248,599,000) being recognised by the Group. Given the ongoing strong market demand for nickel product, which led to the remarkable increase in the average selling price, this product stream continued to enable the Group to strengthen its revenue base in this business segment.

During the Reporting Year, as a result of the strong domestic demand for nickel product, as regards the Onshore Nickel Trading, the Group strived to keep on sourcing of nickel products in the domestic market of the PRC and to sell to end customers in the PRC thanks to a strong customer base the Group has been capturing. The Group has been able to trade an aggregate volume of more than 3,620 tonnes of nickel products during the year under review (2021: more than 1,479 tonnes), with a revenue of approximately HK\$490,364,000 (2021: HK\$218,479,000) being recognised by the Group.

Based on the foregoing, during the Reporting Year, the business of trading of mineral products recorded a segment profit of approximately HK\$1,208,000 (2021: HK\$1,618,000).

Securities investments

As the securities markets in Hong Kong and the PRC have been vulnerable to a high level of uncertainty and volatility, there emerged limited opportunities for securities investment. During the Reporting Year, the Group did not make substantial alteration to its investment portfolio and continued to invest in 5,820,000 shares of a Hong Kong listed company engaged in financial services. As at 31 December 2022, the Group recognised relevant net fair value loss on equity investments at FVTPL – held for trading of approximately HK\$914,000 (2021: HK\$1,954,000), the negative impact of which has been eliminated with a dividend income related to the investment of approximately HK\$1,726,000 (2021: HK\$1,335,000).

Coal mining business

The Group owns mining rights pertaining to coal mines in Peru. As the estimated revenue is unable to support its operating costs and the production costs, the production of the two developed coal mines under the coal mining business have been suspended since March 2019. Meanwhile, Peru was adversely affected under the COVID-19 coronavirus outbreak (the “Pandemic Outbreak”) and the relevant government has imposed certain restrictions throughout the country since March 2020 and has been lifted in 2022. However, the Group’s coal mines operations in Peru have been greatly disrupted since March 2020 and came across certain difficulties for resumption of operations.

During the Reporting Year, this business segment recorded revenue of nil (2021: nil) and a segment profit of approximately HK\$4,121,000 (2021: loss of HK\$22,797,000), which was mainly attributable to the recognition of foreign exchange gain and no impairment loss on other intangible assets (2021: HK\$6,190,000) being recorded by the Group.

Thanks to the gradual coming over of the Pandemic Outbreak and the rise of the coal price arising from the global energy crisis, subsequent to the end of the Reporting Year, the Group is considering the resumption of the production for two coal mines under development and commencement of the production for another two coal mines owned by the Group in Peru. Hence, the Group has been undertaking preliminary assessment, including (1) the fulfillment of all the legal and environmental regulations for obtaining/renewing the required production permits and licenses; (2) the carrying out of feasibility study and (3) the finalization of the feasible production plans.

Property investment and development

During the Reporting Year, the segment of property investment and development recorded a segment loss of approximately HK\$5,284,000 (2021: HK\$1,012,000).

Investment properties in Beijing

During the Reporting Year, the rental income from property leasing in Beijing, the PRC was approximately HK\$4,464,000 (2021: HK\$4,398,000). These investment properties in Beijing recorded net fair value loss of approximately HK\$5,078,000 (2021: HK\$2,322,000) in respect of the revaluation, which mainly accounted for the loss in this business segment. Notwithstanding these, the Group expects these investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation in future.

Property management services

On 8 February 2021 and 14 July 2021, the Group entered into agreements with Macrolink Development and Investment Limited (“Macrolink Development and Investment”) and Macrolink Holding Co., Ltd., respectively, to provide property operation and management, solicitation of business and tenants and other related services in relation to certain owned and entrusted properties. During the Reporting Year, the Group achieved to recognise a property management services income of approximately HK\$14,143,000 (2021: HK\$14,317,000). During the Reporting Year, the Group has entered into a termination agreement with Macrolink Holding Co., Ltd. to early terminate the property entrusted management contract entered into on 14 July 2021 with effect from 30 September 2022.

On 5 July 2021, the Group entered into a lease agreement, pursuant to which the Group agreed to lease properties comprising 395 guest rooms and certain ancillary facilities (i.e. kitchens, warehouse and restaurant) located in Fengtai District, Beijing with a total usable property area of 26,058.90 square meters (the “Properties”) for a term commencing from 5 July 2021 and ending on 31 December 2032. The leasing of the Properties is intended for use by the Group as short-term or long-term rental serviced apartments with ancillary business premises such as catering and convenience stores. Due to the on-going pandemic situation in the PRC, the Group is unable to commence its relevant operation. Furthermore, as the Properties have to be demolished due to urban development needs, on 30 December 2022, the termination agreement was entered into to early terminate the remaining lease term of the lease agreement, with approximately HK\$8,124,000 gain on waiver of rent from lessor and HK\$1,231,000 loss on termination of lease being recognised by the Group.

Based on the above, the Group was able to recognise a profit of approximately HK\$16,651,000 (2021: HK\$13,041,000) in this business segment.

OUTLOOK

Since early 2020, the Pandemic Outbreak has spread across the PRC and other countries and it has affected the business of the Group to some extent. In the face of the economic recession and uncertainties, and given the progressive economic recovery arising from the crackdown of the COVID-19, we will closely monitor how China's macroeconomy and policies and changes in the global economy, political landscapes, market environment and competition will affect the Company, and continue to optimise its operations to maintain the sustainable long-term growth of the Group.

On the premise of capital adequacy, the Group will continue to cautiously and comprehensively identify investment and business development opportunities for efficient and stable business development. The Group will also actively seek opportunities and make effective use of the resources at our disposal and viable business opportunities for development and optimisation of its asset allocation. The Group will continue to expand the scale of the property investment business segment and property management services business segment and introduce more profitable businesses in due course with an aim to improving its profitability, increasing shareholder returns, and laying a solid foundation for its future development.

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

Trading in the Company's shares has been suspended with effect from 9:00 a.m. on 15 February 2022 and shall remain suspended until further notice. The Company is taking appropriate steps to resolve the issue(s) causing its trading suspension and will strive to resume trading in the Company's shares as soon as possible.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's total equity amounted to approximately HK\$71,913,000 (31 December 2021: HK\$82,915,000), representing a decrease of 13.27% compared with that as at 31 December 2021. The Group's current ratio as at 31 December 2022 was 0.97 (31 December 2021: 0.69). The Group's gearing ratio, expressed as a ratio of total interest-bearing other borrowings to total assets as at 31 December 2022, was 0.05 (31 December 2021: 0.07).

The Group had no particular seasonal pattern of borrowing. As at 31 December 2022, the Group had secured other loan and unsecured other loan amounting to HK\$8,000,000 (31 December 2021: HK\$22,000,000) and HK\$5,597,000 (31 December 2021: HK\$6,115,000), respectively. The secured other loan is denominated in HK\$, interest-bearing at 8.5% per annum and after extension in January 2023, the repayment date has been extended to January 2024. The unsecured other loan is denominated in Renminbi ("RMB"), interest-bearing at 9.5% per annum and repayable on demand.

As at 31 December 2022, the Group's cash and cash equivalents totaled approximately HK\$98,285,000 (31 December 2021: HK\$113,943,000), which were mainly denominated in HK\$, US\$, RMB and Soles.

As at 31 December 2022, the Group had aggregate banking and other facilities of approximately HK\$8,000,000 (31 December 2021: HK\$22,000,000) and had no unutilised banking and other facilities (31 December 2021: nil) available for drawdown.

The Group recorded net loss of approximately HK\$4,526,000 during the year ended 31 December 2022 and it had net current liabilities of approximately HK\$4,936,000 as at 31 December 2022. These conditions indicate the existence of material uncertainties which may cast doubt about the Group's ability to continue as a going concern.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Exploring the possibility and speeding up the process of disposing assets of the Group to enhance its liquidity position;
- (c) Soliciting for further financing arrangements which include funding from related companies of the Group; and

- (d) Obtained an amount owing to the immediate holding company to which the Group was indebted in an amount of HK\$100,000,000 as at 31 December 2022. The immediate holding company has undertaken not to request for repayment of the indebted amount for twelve months from the date of this announcement.

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

CAPITAL STRUCTURE

During the Reporting Year, there have been no change in the issued share capital of the Company. As at 31 December 2022, the Company's number of issued ordinary shares was 1,206,249,251.

GROUP STRUCTURE

Apart from (i) the incorporation of a wholly-owned subsidiary in the United States; and (ii) four wholly-owned subsidiaries of the Company being deregistered, there has been no change in the structure of the Group during the Reporting Year.

MATERIAL ACQUISITIONS AND CAPITAL COMMITMENTS

As at 31 December 2022, the Group had no significant capital commitments (31 December 2021: nil).

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

Deposit of HK\$50,000,000 has been paid to the Vendor pursuant to the Sale and Purchase Agreement, with the first instalment of HK\$33,000,000 and the second instalment of HK\$103,000,000 to be paid upon completion of the Acquisition and mortgage release of the certain properties of Macrolink Development and Investment, respectively.

On 26 October 2022, the Company and the Vendor entered into the termination agreement to the Sale and Purchase Agreement, and the Vendor refunded the deposit paid by the Company (i.e. HK\$50,000,000) during the Reporting Year.

TREASURY POLICIES AND FOREIGN EXCHANGE RISK

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

CHARGE OF ASSETS

As at 31 December 2022, certain of the Group's investment properties with carrying amount of approximately HK\$36,432,000 (31 December 2021: HK\$40,366,000) have been pledged to a lender to secure loan facilities.

STAFF AND REMUNERATION

The Group had 26 employees in total as at 31 December 2022 (31 December 2021: 30) mainly in Hong Kong, the PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment terms which are based on industry practice. The Group implemented its remuneration policy and discretionary bonus based on the performance of the Group and its employees. The Group provides benefits such as social and medical insurance and pensions to ensure its competitiveness.

OUTSTANDING LITIGATIONS

- (a) During the Reporting Year, the two ongoing claims against Minera RC S.A.C., an indirect wholly-owned subsidiary of the Company, regarding the two fatal accidents occurred in a mining site operated by the Group in Peru are still pending to appeal rulings. In July 2022, Minera RC S.A.C. received a ruling on the first appeal on the ruling dated 21 January 2022 issued by a labour court in Peru and it ruled that the compensation was reduced from approximately Soles 1,275,000 to Soles 894,000 (equivalent to approximately HK\$1,821,000) regarding one of the two fatal accident cases. Subsequently in August 2022, the management of Minera RC S.A.C. has filed a second appeal to rebut the ruling as the compensation should not be fully borne by it since it has insured for the workers. Minera RC S.A.C. also received a ruling dated 8 June 2022 on another fatal accident issued by a labour court in Peru. According to the first instance ruling, Minera RC S.A.C. was liable to pay a compensation of approximately Soles 463,000 (equivalent to approximately HK\$944,000) and both the management of Minera RC S.A.C. and the applicant of the claim filed an appeal subsequently. In March 2023, Minera RC S.A.C. received a ruling on the appeal issued by the labour court in Peru and it ruled that the compensation was increased to approximately Soles 660,000 (equivalent to approximately HK\$1,344,000). Minera RC S.A.C. filed an appeal on 30 March 2023. Based on the legal opinion from the legal advisors in Peru, the directors of the Company have taken the view that provisions of compensation for the two claims with respect to the latest rulings issued were sufficient.

As a result of the latest rulings, an aggregate reversal for provisions of compensation claims of approximately HK\$2,125,000 was recognised in the consolidated statement of profit or loss for the Reporting Year.

- (b) In October 2022, Junefield (Building Material) Limited, an indirect wholly-owned subsidiary of the Company, filed an application for arbitration proceedings at the China International Economics and Trade Arbitration Commission (the “Arbitration Commission”) against the minority shareholder of Hunan Taiji, 澧源鋼鐵集團有限公司, for compensations on, inter alia, failing to procure the requested amount of supply of the granulated steel slag for production for the period from 1 September 2016 to 30 September 2023. The application was successfully accepted to proceed by the Arbitration Commission in January 2023. Up the date of this announcement, the arbitration proceeding is still in progress.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters on 30 March 2023. The Audit Committee has also reviewed and discussed with the management about the announcement of audited annual results for the year ended 31 December 2022.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited (the "Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on this announcement.

EXTRACTS OF INDEPENDENT AUDITORS' REPORT

The following is extracted from the independent auditors' report on the consolidated financial statement of the Group for the year ended 31 December 2022.

Emphasis of Matter Regarding Going Concern

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Group has suffered recurring losses from operations, has net current liabilities of approximately HK\$4,936,000, and has stated that these events or conditions may cast significant doubt about the Group's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans and measures regarding these matters are also described in Note 1. Our opinion is not modified with respect to this matter.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, for the Reporting Year and up to the date of this announcement, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

- Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The Chairman of the Board and the chairman of the Nomination Committee did not attend the annual general meeting of the Company held on 22 June 2022 (“AGM”) due to other business engagement. The chairman of the Audit Committee, the chairman of the Remuneration Committee and certain members of the Nomination Committee were present at the AGM to answer the shareholders’ questions.
- Under code provision A.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Due to various other business engagement, the Chairman of the Board did not meet up with the independent non-executive directors of the Company during the Reporting Year. The Chairman of the Board will come up with a meeting date with the independent non-executive Directors as earliest as possible to make sure that they can meet without other executive directors of the Company present in the reporting year of 2023.
- Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the Reporting Year, not all the independent non-executive directors of the Company attended the AGM due to other business engagement. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that the independent non-executive Directors can attend the general meetings in future.
- Under code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times during the Reporting Year at approximately quarterly intervals. The Board met only three times during the Reporting Year. Instead of holding Board meetings, certain matters of the Company were dealt with through written resolutions signed by the directors of the Company. The Board members were properly briefed, actively discussed on issues and were presented with accurate, clear, complete and reliable information for the well-informed decisions in the best interests of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

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

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

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (<http://macrolinkcapital.etnet.com.hk>). The annual report for the year ended 31 December 2022 will be dispatched to shareholders of the Company and published on the same websites in due course.

By Order of the Board
Fu Kwan
Chairman

Hong Kong, 30 March 2023

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