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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Chinlink International Holdings Limited (the "**Company**" or "**Chinlink**") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2017 (the "**Period**"), together with the comparative figures as follows:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**465,553**	87,545
Cost of sales and services		**(406,725)**	(49,577)
Gross profit		**58,828**	37,968
Other income, gains and losses		**32,734**	9,751
Loss arising from acquisition of a subsidiary	*12*	**(101,654)**	–
Gain on fair value change of investment properties		**105,520**	78,416
Selling and distribution costs		**(6,147)**	(3,877)
Administrative expenses			
– equity-settled share-based payments		**(1,051)**	(2,324)
– other administrative expenses		**(43,774)**	(34,349)
		(44,825)	(36,673)
Finance costs	*4*	**(69,362)**	(59,820)
(Loss) profit before taxation	*5*	**(24,906)**	25,765
Income tax expense	*6*	**(16,869)**	(18,727)

* *For identification purpose only*

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

For the six months ended 30 September 2017

	NOTES	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
(Loss) profit for the period		**(41,775)**	7,038
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**104,280**	(61,886)
Total comprehensive income (expense) for the period		**62,505**	(54,848)
(Loss) profit for the period attributable to:			
Owners of the Company		**(75,865)**	(393)
Non-controlling interests		**34,090**	7,431
		(41,775)	7,038
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**10,743**	(50,166)
Non-controlling interests		**51,762**	(4,682)
		62,505	(54,848)
Loss per share			(Restated)
Basic	7	**HK(11.19) cents**	HK(0.33) cents
Diluted	7	**HK(11.19) cents**	HK(0.33) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	NOTES	30.9.2017 HK$'000 (unaudited)	31.3.2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**24,638**	23,497
Investment properties		**3,537,675**	2,806,186
Intangible assets		**585**	1,756
Refundable deposit for land auction		**–**	28,220
Amounts due from former subsidiaries		**14,528**	13,607
Deposits and prepayments		**13,824**	1,777
		3,591,250	2,875,043
Current assets			
Inventories		**1,258**	2,843
Trade receivables	*9*	**26,242**	29,713
Trade receivables from related companies		**8**	–
Loan receivables	*9*	**83,387**	138,542
Bills receivables		**–**	45,308
Finance lease receivables	*9*	**17,949**	–
Other receivables, deposits and prepayments		**44,424**	25,897
Amounts due from former subsidiaries		**5,793**	5,793
Restricted deposits		**86,987**	–
Pledged bank deposits		**380,404**	359,997
Bank balances and cash		**255,735**	95,988
		902,187	704,081
Current liabilities			
Deferred revenue		**2**	2,736
Trade payables	*10*	**25,595**	38,665
Other payables and accruals		**57,440**	57,074
Loans from staff		**6,027**	5,155
Construction cost accruals		**111,344**	25,368
Receipts in advance		**56,005**	44,792
Deposits received from tenants		**19,997**	15,577
Amounts due to related companies		**11,818**	203,912
Amount due to a director		**21,984**	1,000
Amount due to ultimate holding company		**7,792**	844
Provision for warranty		**127**	145
Financing guarantee contracts		**5,040**	2,977
Tax payable		**6,007**	6,028
Bank and other borrowings		**550,888**	414,561
10.0% convertible bonds		**–**	76,723
Conversions option derivative embedded in convertible bonds		**–**	121
7.5% coupon bonds		**–**	206,688
Obligations under finance leases		**813**	783
		880,879	1,103,149

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2017

	NOTES	30.9.2017 HK$'000 (unaudited)	31.3.2017 HK$'000 (audited)
Net current assets (liabilities)		**21,308**	(399,068)
Total assets less current liabilities		**3,612,558**	2,475,975
Non-current liabilities			
3.0% convertible bonds		**239,731**	–
9.0% coupon bonds		**335,551**	–
Deferred tax liabilities		**258,778**	215,193
Receipts in advance		**23,176**	25,515
Bank and other borrowings		**564,087**	662,285
Amounts due to related companies		**212,119**	–
Amounts due to former subsidiaries		**7,834**	7,337
Obligations under finance leases		**284**	698
		1,641,560	911,028
		1,970,998	1,564,947
Capital and reserves			
Share capital	11	**213,662**	209,376
Reserves		**1,291,958**	941,955
Equity attributable to owners of the Company		**1,505,620**	1,151,331
Non-controlling interests		**465,378**	413,616
		1,970,998	1,564,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

The application of the amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Property investment
- Interior decoration work
- International trading
- Financing guarantee services
- Logistics services

Money lending and finance leasing business were not reviewed by the chief operating decision maker ("**CODM**") and therefore they are not reportable segments. Revenue from money lending and finance leasing are presented as unallocated revenue.

The CODM does not review segment assets or liabilities.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the period under review:

	Six months ended 30.9.2017		Six months ended 30.9.2016	
	Segment revenue	**Segment profit (loss) for the period**	Segment revenue	Segment profit (loss) for the period
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Property investment	**42,407**	**148,907**	37,292	47,188
Interior decoration work	**114**	**(2,160)**	1,611	(3,726)
International trading	**405,563**	**12,460**	33,835	(2,524)
Financing guarantee services	**8,305**	**6,823**	8,311	5,980
Logistics services	**426**	**(1,233)**	486	(1,541)
Revenue and result for reportable segment	**456,815**	**164,797**	81,535	45,377
Unallocated revenue	**8,738**		6,010	
Total	**465,553**		87,545	
Unallocated other income, gains and losses		**(6,941)**		7,864
Equity-settled share-based payments		**(751)**		(1,656)
Finance costs		**(69,362)**		(59,820)
Loss arising from acquisition of a subsidiary		**(101,654)**		–
Unallocated gain on fair value change of investment properties		**19,932**		47,707
Gain on fair value change of the derivative components of convertible bonds		**121**		7,896
Unallocated corporate expenses		**(31,048)**		(21,603)
(Loss) profit before taxation		**(24,906)**		25,765

Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central general and administration costs, equity-settled share based payments in relation to central administrative staff, other income, gains and losses (except for reversal of bad and doubtful debts, gain on fair value change of certain investment properties), directors' emoluments and finance costs. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.9.2017	30.9.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank and other borrowings	**31,639**	18,806
Effective interest expense on 3.0% convertible bonds	**18,924**	–
Effective interest expense on 10.0% convertible bonds	**10,609**	8,619
Effective interest expense on 9.0% coupon bonds	**6,551**	–
Effective interest expense on 8.0% coupon bonds	**–**	12,570
Effective interest expense on 7.5% coupon bonds	**8,312**	11,634
Effective interest expense on 12.0% coupon bonds	**–**	26,279
Imputed interest expense on amounts due to former subsidiaries	**497**	–
Imputed interest expense on amount due to a related company	**3,921**	–
Interest on finance leases	**48**	79
Total finance costs	**80,501**	77,987
Less: Amount capitalised in investment properties under construction	**(11,139)**	(18,167)
	69,362	59,820

Certain finance costs capitalised during the six months ended 30 September 2017 arose on the general borrowings of approximately HK$4,821,000 (six months ended 30 September 2016: HK$18,167,000) are calculated by applying a capitalisation rate of 11.60% per annum (six months ended 30 September 2016: 12.22%).

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	Six months ended	
	30.9.2017	30.9.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**1,378**	1,660
Equity-settled share-based payments *(Note)*	**1,051**	2,324
Reversal of bad and doubtful debts, net	**(366)**	–
Interest income	**(3,847)**	(2,220)
Imputed interest income from amounts due from former subsidiaries	**(921)**	(435)
Adjustment on carrying amount of amount due to a related company	**(42,376)**	–
Gain on fair value change of derivative component of convertible bonds	**(121)**	(7,896)

Note: Amount included equity-settled share-based payments to consultants of HK$243,000 (six months ended 30 September 2016: HK$640,000) in connection with the services provided by the consultants who solely rendered services and reported their duties to the Group during the current and prior reporting periods. Such services are similar as in nature to those rendered by employees of the Group.

6. INCOME TAX EXPENSE

	Six months ended	
	30.9.2017	30.9.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax expense:		
Hong Kong	**(6)**	(6)
People's Republic of China ("**PRC**" or "**China**")	**(1,479)**	(1,985)
	(1,485)	(1,991)
Deferred tax	**(15,384)**	(16,736)
Income tax expense	**(16,869)**	(18,727)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% except that the concessionary tax rate of 15% is applied to certain subsidiaries recognised as "Go-west" region development programme corporate which is entitled to apply the rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every year.

7. LOSS PER SHARE

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

Loss

	Six months ended	
	30.9.2017	30.9.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(75,865)**	(393)

Number of shares

	Six months ended	
	30.9.2017	30.9.2016
	'000	*'000*
	(unaudited)	(unaudited)
		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**678,098**	120,820

7. LOSS PER SHARE (Continued)

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share for the six months ended 30 September 2016 has been adjusted for the effect of rights issue on 19 October 2016 and the share consolidation on 27 March 2017.

During the six months ended 30 September 2017, the computation of diluted loss per share does not assume the conversion of the outstanding 10.0% convertible bonds and 3.0% convertible bonds and the exercise of share options as they would result in decrease in loss per share.

During the six months ended 30 September 2016, the computation of diluted loss per share did not assume the conversion of the outstanding 10.0% convertible bonds and the exercise of share options as they would result in decrease in loss per share.

8. DIVIDENDS

No dividend was paid, declared or proposed during the current and prior interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. TRADE RECEIVABLES, LOAN RECEIVABLES AND FINANCE LEASE RECEIVABLES

Trade receivables

The following is an analysis of trade receivables (net of allowance for bad and doubtful debts) by age, presented based on the invoice date at the end of the reporting period:

	30.9.2017 ***HK$'000*** **(unaudited)**	31.3.2017 *HK$'000* (audited)
0 – 30 days	**19,845**	5,415
31 – 90 days	**4,712**	24,079
> 90 days	**1,685**	219
	26,242	29,713

Loan receivables

Loan receivables of HK$83,387,000 (31 March 2017: HK$138,542,000) represent the outstanding loan principals and accrued interest from independent third parties which are unsecured and carry interest at fixed rates of 11.0% or 18.0% per annum (31 March 2017: fixed rates of 11.0% or 18.0% per annum). The weighted average effective interest rate of the loan receivables is 14.60% (31 March 2017: 15.47%) per annum. Balances as at both 30 September 2017 and 31 March 2017 are repayable within twelve months from the loan advance date.

Finance lease receivables

Certain machineries of the Group are leased out under finance lease. All interest rates inherent in the leases are fixed at the contract date over the lease terms. The finance lease receivables of HK$17,949,000 represent the present value of the minimum lease payments receivable within one year.

10. TRADE PAYABLES

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

	30.9.2017	31.3.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**16,769**	27,841
31 – 90 days	**–**	–
> 90 days	**8,826**	10,824
	25,595	38,665

11. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
		(unaudited)
Ordinary shares:		
Authorised		
At 1 April 2016 of HK$0.0125 each	5,000,000,000	62,500
Increase in authorised share capital	15,000,000,000	187,500
Increase in authorised share capital	30,000,000,000	375,000
Share consolidation	(48,000,000,000)	–
At 31 March 2017 and 30 September 2017 of HK$0.3125 each	2,000,000,000	625,000
Issued and fully paid		
At 1 April 2016 of HK$0.0125 each	2,791,676,819	34,896
Rights issue	13,958,384,095	174,480
Share consolidation	(16,080,058,478)	–
At 31 March 2017 of HK$0.3125 each	670,002,436	209,376
Shares issued on conversion of 3.0% convertible bonds *(Note)*	13,716,814	4,286
At 30 September 2017 of HK$0.3125 each	683,719,250	213,662

Note: During the six months ended 30 September 2017, 13,716,814 ordinary shares of the Company, with aggregate par value of approximately HK$4,286,000, were issued upon the partial conversion of 3.0% convertible bonds.

12. ACQUISITION OF A SUBSIDIARY

On 22 May 2017, the Group completed the acquisition of (i) the entire issued capital of Zhong Hui Global Limited ("**Sale Share**") and (ii) the shareholder's loan ("**Sale Loan**") due by Zhong Hui Global Limited and its subsidiaries (collectively, the "**Zhong Hui Group**") (the acquisition of Sale Share and Sale Loan, collectively the "**Zhong Hui Acquisition**") to Mr. Li Weibin ("**Mr. Li**", Chairman of the Company) and his affiliated companies at a total consideration of HK$312,000,000.

Zhong Hui Global Limited ("**Zhong Hui**") is a company incorporated in the British Virgin Islands ("**BVI**") in January 2013 with limited liability and was then wholly owned by Bestwin International Investment Limited (the "**Vendor**"). The Vendor is wholly owned by Mr. Li. Zhong Hui is an investment holding company and its principal asset is its investment in Real King International Holdings Limited ("**Real King**"), a company incorporated in Hong Kong with limited liability. Real King wholly owns 匯景國際（西安）信息科技有限公司 ("**匯景國際（西安）**") which was established in the PRC and owns a 100% interest in the investment property under construction located at the junction of Fengcheng Tenth Road and Wenjin Road, Weiyang District, Xi'an, Shaanxi Province, the PRC.

Pursuant to the acquisition agreement (the "**Acquisition Agreement**") and the loan purchase and financing agreement (the "**Loan Purchase and Financing Agreement**") signed on 2 February 2017 and their supplemental deeds on 13 March 2017 respectively, the consideration of Sale Share and Sale Loan shall be satisfied by the Company issuing the convertible bonds of HK$96 million ("**Share Consideration Bonds**") and HK$216 million ("**Loan Consideration Bonds**") to the Vendor and Mr. Li or their nominee(s) respectively. In addition, Mr. Li agreed to provide financing to the Group in the amount of HK$58 million (the "**Possible Financing**") after completion of the acquisition to fund the construction costs of the investment property by means of issuing the convertible bonds of HK$58 million ("**Financing Bonds**") of the Company in two tranches to Mr. Li. All Share Consideration Bonds, Loan Consideration Bonds and Financing Bonds carry interest at 3% per annum and shall mature on the date falling on the second anniversary of the date of issue.

On 21 July 2017, the first tranche of the Financing Bonds amounting to HK$30,000,000 was issued. On 22 November 2017, the second tranche of the Financing Bonds amounted to HK$28,000,000 was issued.

The primary asset acquired from the acquisition is the investment property under construction and hence the acquisition has been accounted for as an asset acquisition.

Consideration transferred

	HK$'000
Fair value of Share Consideration Bonds and Loan Consideration Bonds	535,806

12. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised by the Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	12
Investment properties	452,034
Bank balances and cash	108,163
Construction cost accruals	(64,402)
Amounts due to related companies	(192,562)
Amount due to a director	(85,093)
	218,152
Sale Loan	216,000
Total consideration transferred	(535,806)
Loss arising from acquisition	(101,654)
Net cash inflow from acquisition	
Bank balance and cash acquired	108,163
Consideration paid in cash	–
	108,163

13. CONTINGENT LIABILITIES

	30.9.2017	31.3.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantee given to banks in respect of financing guarantee services provided to:		
– Independent third parties	**339,023**	390,563
– Related parties	**37,028**	14,110
	376,051	404,673

14. OPERATING LEASE COMMITMENTS

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

As lessee

	30.9.2017	31.3.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	**6,090**	6,929
In the second to fifth year inclusive	**6,006**	11,101
	12,096	18,030

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

Leases are negotiated for an average term of two years and rentals are fixed for the lease period.

As lessor

	30.9.2017	31.3.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	**7,585**	5,530

Operating lease income represent rental receivables by the Group for its leasing of retail shops, offices and car park in the Commercial Complex (as defined below).

15. CAPITAL COMMITMENTS

	30.9.2017	31.3.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements – construction in connection with the investment properties	**111,469**	77,986

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period under review, the Group continued to operate as an integrated financial services provider targeted at small and medium size enterprises ("**SME(s)**") in Shaanxi Province, Shenzhen and Hong Kong. Over the past years, the Group has built a unique finance-ecosystem incorporating finance, property investment and logistics businesses. The investment properties of the Group mainly comprise of trade and wholesale centres, and shopping malls for building materials, home furnishing products, etc. Tenants of these properties are mainly SMEs, having limited assets and capital bases, whilst substantial portion of their working capital is tied up with inventory and sales receivables. The properties provide the Group with a captive client base for financial services, supporting the tenants with customised supply chain finance for their procurement, inventory and receivables. These financing activities are well supported by the Group's logistics unit which monitors their trading activities and inventory movement through the provision of logistics services. The Group has supply chain finance units in Hong Kong, Shenzhen and Xi'an. Moreover, the Group holds multiple licences to carry out different types of financing, such as financing guarantee in Shaanxi Province, finance lease across China, and money lending in Hong Kong. The Group is also in the process of applying for factoring and micro finance licences in Xi'an. Upon approval of these two licences, the Group will be one of the very few financial groups to have a full range of licences to operate in Shaanxi Province, a designated growth driver of China's economy in the coming years, benefiting from the China's Western Development Strategy, the Belt and Road Initiative (the "**Belt and Road**") and the newly established China (Shaanxi) Pilot Free Trade Zone.

For the Period, the Group had recorded a significant increase in total revenue driven by international trading business, whilst property investment income remained stable with a slight upward trend. The finance lease business started in September 2017 and made contribution to the Group.

SEGMENTAL PERFORMANCE

International Trading Business

For the Period, the Group generated HK$405.6 million of revenue from international trading business, reflecting a significant increase of 1,100.0% from HK$33.8 million in the corresponding period of last year (the "**Previous Period**"), which constituted 87.1% of the total income. The significant increase in revenue was mainly due to the expansion of international trading business in Hong Kong and Shenzhen. International trading business is expected to continue to enjoy high growth rate because of the larger customer base both in Hong Kong and Xi'an. The business will also achieve higher profit margin as a result of economy of scale.

Financing Guarantee Services Business

For the Period, the Group generated HK$8.3 million of revenue from financing guarantee services business which is much the same as Previous Period. More human resource is equipped to prepare for the partnership with 漢中市漢台區漢江產業園建設投資開發有限公司 (Hanzhong City Hantai District Hanjiang Industrial Park Construction Investment Development Company Limited*) ("**Hanjiang**"). The new partnership will bring in approximately RMB100.0 million additional capital and new customers from Hanzhong Baohe Logistics Park and Hanjiang Industrial Park. The Group envisages a substantial growth in the financing guarantee services business as a result of Hanjiang's customer referrals and additional capital.

Logistics Services Business

For the Period, the Group generated HK$0.4 million of revenue from logistics services business, reflecting a decrease of 20.0% from HK$0.5 million in the Previous Period. The logistics segment is ancillary to the Group's revenue, but is a critical component of the risk management framework.

Property Investment Business

For the Period, the Group generated HK$42.4 million of revenue from property investment business, reflecting an increase of 13.7% from HK$37.3 million in the Previous Period. The revenue was solely generated by the rental income and management fee from the Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) (the "**Commercial Complex**"). The occupancy rate of the Commercial Complex was over 95.0% at the end of the Period. This is the result of the Group's successful marketing and promotion.

Interior Decoration Work Business

For the Period, the Group generated HK$0.1 million of revenue from interior decoration work business, reflecting a decline of 93.8% from HK$1.6 million in the Previous Period. The decrease in revenue was mainly attributable to the repositioning of the Group.

FINANCIAL REVIEW

Profitability Analysis

For the Period, the Group's unaudited consolidated revenue was HK$465.6 million, reflecting a significant increase of 432.1% from HK$87.5 million in the Previous Period which was mainly attributable to an increase in contribution from international trading business. Revenue contribution by segments comprised: property investment of HK$42.4 million (Previous Period: HK$37.3 million), interior decoration work of HK$0.1 million (Previous Period: HK$1.6 million), international trading of HK$405.6 million (Previous Period: HK$33.8 million), financing guarantee services of HK$8.3 million (Previous Period: HK$8.3 million), logistics services of HK$0.4 million (Previous Period: HK$0.5 million) and other revenue (including the new finance lease business) of HK$8.7 million (Previous Period: HK$6.0 million).

* *For identification purpose only*

Gross profit for the Period increased significantly to HK$58.8 million, up 54.7% from HK$38.0 million in the Previous Period, while gross profit margin declined to 12.6% from 43.4% in the Previous Period. The increase in gross profit was mainly due to the increase in revenue generated from the international trading business and its improved gross profit margin. The decrease in overall gross profit margin in the Period was the result of international trading business contributing about 87.1% (Previous Period: 38.6%) of the total revenue while its gross profit margin is relatively low.

Other income, gains and losses recorded a gain of HK$32.7 million (Previous Period: HK$9.8 million) for the Period, mainly attributable to an adjustment on the carrying amount due to a related party and the exchange gain arising from appreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HK$**") during the Period but partially offset by the loss on fair value change of Financing Bonds with principal amount of HK$30.0 million issued during the Period.

Loss arising from acquisition of a subsidiary of HK$101.7 million represented a one-off non-cash loss arising from the difference between the net assets value of Zhong Hui Group and Sale Loan and the valuation of the 3.0% Convertible Bonds (as defined below) issued as consideration for Zhong Hui Acquisition, details of which were disclosed in the circular of the Company dated 31 March 2017 and the section headed "Material Acquisition" below.

Gain on fair value change of investment properties amounted to HK$105.5 million (Previous Period: HK$78.4 million) for the Period. It was mainly attributable to a fair value change of Chinlink•Worldport (as defined below), the Commercial Building (as defined below) and the Commercial Complex.

Administrative expenses amounted to HK$44.8 million for the Period, representing an increase of HK$8.1 million as compared with HK$36.7 million of the Previous Period. The increase was mainly due to the legal and professional fee incurred for the Zhong Hui Acquisition and the Possible Financing.

Finance costs amounted to HK$69.4 million for the Period, representing an increase of HK$9.6 million as compared with HK$59.8 million of the Previous Period. The increase was mainly due to the 3.0% Convertible Bonds and the 9.0% Coupon Bonds (as defined below) issued during the Period.

Despite the increase in gross profit and the gain on fair value change of investment properties as mentioned above, due to the significant non-cash loss arising from acquisition of a subsidiary, the Group recorded a loss for the Period of HK$41.8 million as compared with a profit of HK$7.0 million in the Previous Period.

Liquidity and Financial Resources

As at 30 September 2017, the bank balances and cash, pledged bank deposits and restricted deposits amounted to HK$723.1 million in total (31 March 2017: HK$456.0 million), representing an increase of HK$267.1 million from that of 31 March 2017. The increase was mainly due to issue of the 9.0% Coupon Bonds during the Period and net cash inflow from the Zhong Hui Acquisition.

As at 30 September 2017, the bank and other borrowings of the Group which were mainly denominated in HK$ and RMB amounted to HK$1,115.0 million (31 March 2017: HK$1,076.8 million), representing an increase of HK$38.2 million from that of 31 March 2017, of which HK$550.9 million and HK$564.1 million were repayable within one year and two to five years respectively.

During the Period, 7.5% coupon bonds (issued into two tranches in July and August 2015) and 10.0% convertible bonds (issued in December 2015) with carrying values amounted to HK$206.7 million and HK$76.7 million respectively as at 31 March 2017 had matured and were fully repaid.

On 30 June 2017, the Company entered into a placing agreement with a placing agent under best effort basis in relation to the placement of 9.0% coupon bonds (the "**First 9.0% Coupon Bonds**") with principal amount of up to HK$200.0 million. The First 9.0% Coupon Bonds are unsecured, repayable on the day falling on the second anniversary of the issue date and interest bearing at 9.0% per annum and were fully placed to certain independent placees on 25 July 2017. Details of the First 9.0% Coupon Bonds are set out in the announcements of the Company dated 30 June 2017 and 25 July 2017 respectively.

After completion of the issue of the First 9.0% Coupon Bonds, the Company was informed there was excess demand for the First 9.0% Coupon Bonds. In order to raise additional funding for the Group's business development and to satisfy the excess demand in the previous bond placing, the Company entered into another placing agreement on 27 July 2017 with the placing agent under best effort basis in relation to the placement of 9.0% coupon bonds (the "**Second 9.0% Coupon Bonds**", together with the First 9.0% Coupon Bonds, collectively, the "**9.0% Coupon Bonds**") with principal amount of up to HK$150.0 million. The Second 9.0% Coupon Bonds are unsecured, repayable on the day falling on the second anniversary of the issue date and interest bearing at 9.0% per annum and were fully placed to certain independent placees into two tranches on 4 August 2017 and 25 August 2017. Details of the Second 9.0% Coupon Bonds are set out in the announcements of the Company dated 27 July 2017, 4 August 2017 and 25 August 2017 respectively. As at the Period end, among the aggregate gross proceeds from the 9.0% Coupon Bonds of HK$350.0 million, HK$225.6 million was used to refinance the Group's borrowings, HK$50.0 million was used for development of finance leasing business and HK$74.4 million was used as general working capital of the Group.

As at 30 September 2017, the Group recorded net current assets of HK$21.3 million (31 March 2017: net current liabilities of HK$399.1 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 1.02 (31 March 2017: 0.64). The improvement in the current ratio of the Group was mainly attributable to (i) issue of the 9.0% Coupon Bonds to refinance certain current liabilities and increase working capital of the Group; (ii) change of repayment term of amounts due to related companies from short term to long term; and (iii) net current assets acquired from the Zhong Hui Acquisition.

Other than the issue of the 9.0% Coupon Bonds as mentioned above, the Company also issued certain convertibles bonds during the Period for the Zhong Hui Acquisition and the Possible Financing, details of which were disclosed in the following section headed "Material Acquisition".

Share Capital

As at the Period end, the authorised share capital of the Company was HK$625.0 million (31 March 2017: HK$625.0 million). There was no change in the authorised share capital of the Company during the Period.

As at the Period end, the number of issued shares of the Company was 683,719,250 (31 March 2017: 670,002,436). During the Period, an aggregate principal amount of HK$7.75 million of 3.0% Convertible Bonds issued on 22 May 2017 was converted into 13.7 million Shares at the conversion price of HK$0.565 per conversion share. The carrying amount of such 3.0% Convertible Bonds as at the conversion dates amounted to HK$5.2 million, together with the relevant convertible bonds reserve of HK$8.1 million, were reclassified to share capital or share premium of the Company.

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

Material Acquisitions

On 2 February 2017, the Company, Glorious Harvest Limited ("**Glorious Harvest**") (a wholly-owned subsidiary of the Company), the Vendor and Mr. Li (as guarantor to the Vendor) entered into the Acquisition Agreement in relation to the proposed acquisition of the Sale Share at a consideration of HK$96.0 million. Simultaneously, the Company, Glorious Harvest and Mr. Li entered into the Loan Purchase and Financing Agreement in relation to the proposed acquisition of the Sale Loan owing or incurred by the Zhong Hui Group to Mr. Li and his affiliated companies at a consideration of HK$216.0 million and the Possible Financing by Mr. Li to the Group of HK$58.0 million. The Acquisition Agreement and the Loan Purchase and Financing Agreement are inter-conditional and shall complete contemporaneously.

The Zhong Hui Group owned a parcel of land with total gross floor area of approximately 55,491 square metres situated in Xi'an, Shaanxi Province, the PRC, with construction in progress for the Commercial Building on the land.

According to the Acquisition Agreement and the Loan Purchase and Financing Agreement, the total consideration of HK$370.0 million for the Zhong Hui Acquisition and the Possible Financing shall be satisfied by the issue of convertible bonds by the Company (the "**3.0% Convertible Bonds**") which will bear interest at 3.0% per annum and will mature on the day falling on the second anniversary of the date of issue of the relevant bonds. The initial conversion price of the 3.0% Convertible Bonds is HK$0.565 per conversion share.

The Vendor is wholly-owned by Mr. Li and accordingly is a connected person of the Company. The Zhong Hui Acquisition and the issue of the 3.0% Convertible Bonds therefore constituted connected transactions for the Company and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Zhong Hui Acquisition was completed on 22 May 2017. For details, please refer to the announcements of the Company dated 7 February 2017, 7 March 2017, 13 March 2017, 28 March 2017, 28 April 2017 and 23 May 2017, and the Company's circular dated 31 March 2017 respectively. Also, during the Period, Mr. Li has provided financing of HK$30.0 million to the Group and subsequent to the Period end, on 22 November 2017, Mr. Li further provided financing of HK$28.0 million to the Group. Accordingly, the Company had fully issued the 3.0% Convertible Bonds with aggregate principal amount of HK$370.0 million and the proceeds from Financing Bonds (which form part of the 3.0% Convertible Bonds) is intended to be used for the construction costs of the Commercial Building.

On 11 June 2017, the Company, Trillion Up Limited ("**Trillion Up**") (a direct wholly-owned subsidiary of the Company), Instant Karma Global Holdings Limited ("**IK Global**") and the shareholders of IK Global (the "**MCM Founders**") entered into an agreement (the "**Agreement**") (as supplemented by a supplemental deed dated 25 October 2017), pursuant to which (i) IK Global has conditionally agreed to subscribe for new shares ("**Deemed Disposal**") in Alpha Yield Limited ("**Alpha Yield**") (a direct wholly-owned subsidiary of Trillion Up), the consideration of which shall be satisfied by the transfer of the entire issued share capital of MCM Holdings Limited ("**MCM Holdings**") by IK Global to Alpha Yield (the "**MCM Acquisition**"); and (ii) Trillion Up has conditionally agreed to subscribe for additional new shares in Alpha Yield in the amount of US$4.0 million in cash (the "**Subscription**", together with the MCM Acquisition and Deemed Disposal, collectively the "**Transactions**").

Upon completion of the Transactions (the "**MCM Completion**"), the entire issued share capital of Alpha Yield shall be held as to 51.0% by Trillion Up and 49.0% by IK Global.

Pursuant to the Agreement, the Group shall also provide a shareholder's loan of US$2.4 million to MCM Holdings after the MCM Completion which shall be used as general working capital of MCM Holdings and its subsidiaries (collectively, the "**MCM Group**").

In addition, if certain events take place during the period of six years (as supplemented) from the date of MCM Completion, the MCM Founders shall have the right to exercise a put option to require the Company to purchase the shares in Alpha Yield held by IK Global at a consideration based on the value of the Alpha Yield and its subsidiaries (collectively, the "**Alpha Yield Group**") as a whole of US$50.0 million.

The Transactions and grant of the put option together constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules.

MCM Completion was taken place on 6 November 2017.

For details, please refer to the announcements of the Company dated 12 June 2017, 14 June 2017, 11 July 2017, 14 August 2017, 25 October 2017, 27 October 2017 and 6 November 2017 respectively.

Progress on Deemed Disposal Transactions

On 1 March 2017 and 26 April 2017, Chinlink Alpha Limited ("**Chinlink Alpha**"), an indirect wholly-owned subsidiary of the Company, and Hanjiang entered into a non-legally binding letter of intent (the "**LOI I**") and a co-operation agreement, respectively, in relation to the possible capital injection into Shaanxi Chinlink Financial Guarantee Limited (the "**Financial Guarantee Company**"), a direct wholly-owned subsidiary of Chinlink Alpha. The proposed gross investment to be contributed by Hanjiang to the Financial Guarantee Company will be approximately RMB100.0 million and the Financial Guarantee Company will issue new shares to Hanjiang. As a result, the Financial Guarantee Company will be held as to approximately 67.0% by Chinlink Alpha and approximately 33.0% by Hanjiang.

Details of the above transactions were set out in the announcements of the Company dated 1 March 2017 and 26 April 2017 respectively.

As at the Period end, the parties to the co-operation agreement are negotiating the details of the cooperation.

On 16 March 2017, Chinlink Alpha and 中金旅投資控股有限公司 (Zhong Jinlv Investment Holding Company Limited*) ("**Zhong Jinlv**") entered into a non-legally binding letter of intent (the "**LOI II**") in relation to the possible capital injection into the Finance Lease Company, a direct wholly-owned subsidiary of Chinlink Alpha. The proposed gross investment amount to be contributed by Zhong Jinlv to Chinlink Finance Lease Company Limited (the "**Finance Lease Company**"), an indirect wholly-owned subsidiary of the Company, will be approximately RMB120.0 million and in the form of equity interest. On 26 April 2017, Chinlink Alpha, Zhong Jinlv and the Finance Lease Company entered into the finance lease cooperation agreement, pursuant to which Zhong Jinlv has agreed to invest RMB120.0 million to the Finance Lease Company and the Finance Lease Company has agreed to increase its registered capital by the same amount. As a result, the Finance Lease Company will be held as to approximately 63.0% by Chinlink Alpha and approximately 37.0% by Zhong Jinlv.

* *For identification purpose only*

Subsequently on 22 May 2017, the Group underwent a re-organisation and the Finance Lease Company is now a wholly-owned subsidiary of Chinlink Mega Limited ("**Chinlink Mega**") and the registered capital of Finance Lease Company was changed from US$30.0 million to RMB200.0 million. On 26 October 2017, Chinlink Mega, Zhong Jinlv and the Finance Lease Company entered into the capital increase agreement to set out the detailed arrangements relating to the capital injection by Zhong Jinlv and the respective rights and obligations of Chinlink Mega and Zhong Jinlv in the Finance Lease Company after the capital increase. The parties also entered into a put option agreement on the same day, pursuant to which Zhong Jinlv shall be granted a right to request Chinlink Mega or its nominee to acquire its shareholding interest in the Finance Lease Company during the period of 30 days from the third anniversary of the date of the first capital contribution by Zhong Jinlv or upon the occurrence of certain events during the period from the date of registration with the relevant PRC industry and commerce authorities of the first capital contribution by Zhong Jinlv to the third anniversary of the date of the first capital contribution by Zhong Jinlv. Details of the aforesaid transactions were set out in the announcements of the Company dated 16 March 2017, 26 April 2017 and 26 October 2017 respectively.

As at the date of this announcement, Zhong Jinlv has injected capital of RMB64.8 million to the Finance Lease Company, which owns 37.5% of the paid-up capital of Finance Lease Company.

Gearing Ratio

The Group's gearing ratio as at 30 September 2017 was 0.56 (31 March 2017: 0.56) which was calculated based on the Group's total liabilities of HK$2,522.4 million (31 March 2017: HK$2,014.2 million) and the Group's total assets of HK$4,493.4 million (31 March 2017: HK$3,579.1 million).

Foreign Currency Exposure

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

Contingent Liabilities and Charge on Assets

Save as disclosed in note 13 on page 12 of this announcement, the Group did not have any significant contingent liabilities.

As at 30 September 2017, the Group had pledged bank deposits of HK$380.4 million to certain banks as securities in return for the banks' provision of loans to the Group's financing guarantee services customers and to support the Group's international trading business. In addition, the Group pledged assets with carrying value of HK$3,554.6 million to secure obligations under finance leases and banking facilities.

Capital Commitments

As at 30 September 2017, the Group had capital commitments contracted but not provided for amounting to HK$111.5 million in respect of the development of Chinlink•Worldport and Commercial Building. Details of the commitments are set out in note 15 on page 13 of this announcement. The Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholders of the Company.

Events after the reporting period

Save as the completion of MCM Acquisition disclosed in the section headed "Material Acquisition" above, the Group has no significant events after the reporting period.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the Period (Previous Period: Nil).

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 30 September 2017, the Group had 29 employees in Hong Kong and 297 employees in China (31 March 2017: 37 employees in Hong Kong and 290 employees in China). Employees are remunerated based on their performance and relevant working experiences, taking into account the prevailing market conditions. Discretionary performance bonus may be awarded to employees with reference to the financial performance of the Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

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

PROSPECTS

The Group is an integrated financial services provider operating in China and Hong Kong. We hold multiple licences to provide various types of financial services. As mentioned earlier, we are undergoing the process of applying for factoring and micro-finance licences in Xi'an. If the approvals are granted, Chinlink can have a full range of finance licences to operate in Shaanxi Province and the synergy among the Group's different financial services companies will be more prominent. In November 2017, Chinlink completed the acquisition of 51% stake in the MCM Group, a boutique investment bank incorporated in Hong Kong to conduct securities and futures brokerages, advisory and asset management business regulated by the Securities and Futures Commission of Hong Kong. Such acquisition establishes a unique opportunity for Chinlink and MCM Group to significantly expand their financial services offering and expertise in capital market and asset management. Through Chinlink's strong understanding of China market, and MCM Group's extensive global network and the investment banking experience of its founders and key members, the Group is well positioned as a cross-border financial player with local presence in China as well as benefiting from a fully integrated platform with access to international capital markets.

For the Period, Finance Lease Company started the business in September 2017 and Zhong Jinlv has agreed to invest RMB120.0 million in Finance Lease Company in the near future and given that Zhong Jinlv is a subsidiary of 陝西旅遊集團有限公司 (Shaanxi Tourism Group Company Limited*), a state-owned enterprise, the partnership can enhance the credit standing of Finance Lease Company which can be more accessible to bank financing with lower costs. In addition, the partnership can expand the Finance Lease Company's customer base by bringing in tourism related business.

In respect of property investment business segment, there is an undeveloped land parcel adjacent to the Commercial Complex which allows the Group for further development (the "**Phase Two Development**"). The Phase Two Development will commence development in 2018. It is designed to be built as an apartment and shopping complex and will have around 50,000 square metres shopping space and 50,000 square metres residence. Chinlink• Worldport Integrated Logistics Park in Hanzhong City ("**Chinlink•Worldport**") is expected to commence operation by the second quarter of 2018. The Group will also offer its full range of financial services to its tenants. With the soon to be launched high-speed railway service between Xi'an, Hanzhong and Chengdu before end of 2017, the economic activities of Hanzhong will be increased and will become an investment hot spot. Chinlink•Worldport as a trading and logistics hub will surely benefit from this macro changes and will enjoy significant appreciation in property value. Additionally, in May 2017, the Group acquired a 25-level office building (the "**Commercial Building**") in Xi'an through Zhong Hui Acquisition, targeted to be completed by the third quarter of 2018. The Group will occupy two storeys as its regional headquarters in China and the rest will be for rental purposes to further enhance our incomes from property investment.

* *For identification purpose only*

The Group is entering a new phrase of its development whereby its financial platform is well set and its investment property business continues to generate steady incomes. Xi'an market where the Group operates is enjoying high growth because of its importance in the national development plan driven by the Belt and Road. Moreover, the acquisition of MCM Group is a very important strategic move of the Group. As the Group has already established itself as a multi-licensed integrated financial services player in China and Hong Kong, the acquisition will open up a new business frontier and enhance the Group as diversified financial player of international status. In addition, as China is becoming an important economic power in the global scale, it is a milestone for the Group in diversifying its financial platform to the international arena to serve the growing funding and investment needs of its clients in the Shaanxi Province, who are traditionally underserved by major international financial institutions due to the development disparity relative to the coastal region. MCM Group will serve as the conduit to connect Chinese corporates and capital to the international financial market.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company had applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules except the following deviation:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive officer 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 officer under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of Securities Transations by Directors of listed Issues (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee has three members comprising, namely, Ms. Lai Ka Fung, May (Chairman), Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene. All of them are independent non-executive Directors and none of them are members of the former or existing auditors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the risk management and internal control systems and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results for the Period.

The Group's independent auditors, Messrs. Deloitte Touche Tohmatsu, have been engaged to review the condensed consolidated financial statements. Based on their review, nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM REPORT

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

The interim report of the Company will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

APPRECIATION

The Board would like to extend its gratitude to all the Group's customers, suppliers and bankers for their trust and support and would like to thank all of the staff of the Group for their tireless efforts and contribution to the Group.

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

Hong Kong, 30 November 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Li Weibin, Mr. Siu Wai Yip, Ms. Lam Suk Ling, Shirley and Mr. Lau Chi Kit; a non-executive Director, namely Ms. Fung Sau Mui; and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.