CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED
普 匯 中 金 國 際 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Chinlink International Holdings Limited (the "**Company**" or "**Chinlink**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018 (the "**Year**"), together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	*3*	**1,257,726**	518,834
Cost of sales and services		**(1,110,523)**	(425,198)
Gross profit		**147,203**	93,636
Other income, gains and losses	*5*	**70,680**	14,824
Gain on fair value change of investment properties		**161,017**	142,066
Loss arising from acquisition of a subsidiary		**(101,654)**	–
Selling and distribution costs		**(11,703)**	(8,804)
Administrative expenses			
– equity-settled share-based payments		**(1,882)**	(4,311)
– other administrative expenses		**(101,524)**	(78,619)
		(103,406)	(82,930)
Finance costs	*6*	**(167,598)**	(105,489)
(Loss) profit before tax		**(5,461)**	53,303

* *For identification purpose only*

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

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Income tax expense	7	**(23,665)**	(28,479)
(Loss) profit for the year	8	**(29,126)**	24,824
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**270,037**	(125,625)
Total comprehensive income (expense) for the year		**240,911**	(100,801)
(Loss) profit for the year attributable to:			
Owners of the Company		**(77,877)**	1,337
Non-controlling interests		**48,751**	23,487
		(29,126)	24,824
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**141,378**	(100,362)
Non-controlling interests		**99,533**	(439)
		240,911	(100,801)
(Loss) earnings per share	9		
– Basic		**HK(11.44) cents**	HK0.42 cents
– Diluted		**HK(11.44) cents**	HK0.42 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**24,378**	23,497
Investment properties		**3,871,563**	2,806,186
Intangible assets		**–**	1,756
Goodwill		**42,716**	–
Available-for-sale investment		**1,239**	–
Prepayment and deposit paid for a life insurance policy		**12,215**	–
Refundable deposit for land auction		**–**	28,220
Amounts due from former subsidiaries		**–**	13,607
Deposits and prepayments		**3,128**	1,777
Finance lease receivables		**125,269**	–
		4,080,508	2,875,043
Current assets			
Inventories		**872**	2,843
Trade receivables	11	**100,277**	29,713
Trade receivables from related companies		**269**	–
Loan receivables	11	**130,986**	138,542
Bills receivables		**–**	45,308
Finance lease receivables		**76,531**	–
Other receivables, deposits and prepayments		**37,647**	25,897
Amounts due from former subsidiaries		**21,305**	5,793
Restricted deposits		**61,927**	–
Pledged bank deposits		**448,550**	359,997
Bank balances and cash		**193,082**	95,988
		1,071,446	704,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Current liabilities			
Deferred revenue		**2**	2,736
Trade payables	12	**74,345**	38,665
Other payables and accruals		**76,471**	57,074
Loans from staffs		**30,857**	5,155
Construction costs accruals		**164,576**	25,368
Receipts in advance		**46,147**	44,792
Deposits received from tenants		**19,623**	15,577
Amounts due to related companies		**68,186**	203,912
Amount due to a director		**43**	1,000
Amount due to ultimate holding company		**–**	844
Amounts due to former subsidiaries		**8,365**	–
Provision for warranty		**126**	145
Financial guarantee contracts		**3,180**	2,977
Tax payable		**7,042**	6,028
Bank and other borrowings		**683,494**	414,561
10.0% convertible bonds		**–**	76,723
Conversion option derivative embedded in convertible bonds		**–**	121
7.5% coupon bonds		**–**	206,688
Obligations under finance leases		**749**	783
		1,183,206	1,103,149
Net current liabilities		**(111,760)**	(399,068)
Total assets less current liabilities		**3,968,748**	2,475,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current liabilities			
3.0% convertible bonds		**287,802**	–
9.0% coupon bonds		**355,967**	–
12.0% coupon bonds		**119,099**	–
Obligation arising from a put option to a non-controlling shareholder		**81,049**	–
Deferred tax liabilities		**276,511**	215,193
Receipts in advance		**24,026**	25,515
Bank and other borrowings		**412,180**	662,285
Amounts due to related companies		**560,541**	–
Amounts due to former subsidiaries		**–**	7,337
Obligations under finance leases		**144**	698
		2,117,319	911,028
		1,851,429	1,564,947
Capital and reserves			
Share capital	13	**213,662**	209,376
Reserves		**1,560,282**	941,955
Equity attributable to owners of the Company		**1,773,944**	1,151,331
Non-controlling interests		**77,485**	413,616
		1,851,429	1,564,947

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

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

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New or revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New or revised HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[2]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The presentation currency of the consolidated financial statements is Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as of 31 March 2018, the Group's current liabilities exceeded its current assets by approximately HK$111,760,000.

The directors of the Company closely monitor the liquidity of the Group. Taken into account of:

(i) internal financial resources;

(ii) the availability of the Group's credit facilities of approximately HK$1,138,764,000 as at 31 March 2018, of which HK$1,088,788,000 has been drawn down; and

(ii) loan facilities from Mr. Li Weibin ("**Mr. Li**", the chairman and managing director of the Company) of approximately HK$400,000,000 pursuant to the revolving loan facility letter entered into between the Company and Mr. Li on 1 April 2018.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from interior decoration work	**114**	2,098
Revenue from international trading	**1,115,887**	405,350
Revenue from financing guarantee services	**17,001**	16,958
Revenue from logistics services	**874**	980
Revenue from financial advisory services	**5,690**	–
Revenue from property investment		
– Rental income	**27,172**	22,611
– Management fee income	**65,621**	54,953
Interest income from money lending	**16,538**	15,884
Interest income from finance lease	**8,829**	–
	1,257,726	518,834

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

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

(i) Interior decoration work – interior decoration works in Hong Kong and Macau

(ii) International trading – trading of consumer goods

(iii) Financing guarantee services – provision of corporate financing guarantee services and related consultancy services

(iv) Logistics services – provision of logistics services

(v) Finance lease services – provision of finance lease services

(vi) Property investment – leasing of property and provision of property management services

Note: The Group has commenced the finance lease services during the year.

The revenue streams and results from these segments are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

Financial advisory and money lending businesses are not reviewed by the CODM and therefore they are not separately presented. Revenue from financial advisory services and money lending is presented as unallocated revenue.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

4. **SEGMENT INFORMATION (continued)**

Segment revenue and results

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

	Year ended 31 March 2018		Year ended 31 March 2017	
	Segment revenue	**Segment profit (loss) for the year**	Segment revenue	Segment profit (loss) for the year
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interior decoration work	**114**	**(4,966)**	2,098	(7,304)
International trading	**1,115,887**	**22,134**	405,350	2,369
Financing guarantee services	**17,001**	**13,299**	16,958	10,697
Logistics services	**874**	**(2,261)**	980	(2,928)
Finance lease services	**8,829**	**3,955**	–	–
Property investment	**92,793**	**183,542**	77,564	109,563
Revenue and result for reportable segment	**1,235,498**	**215,703**	502,950	112,397
Unallocated revenue	**22,228**		15,884	
Total	**1,257,726**		518,834	
Unallocated revenue		**22,228**		15,884
Unallocated income, gains and losses		**70,314**		6,798
Equity-settled share-based payments		**(1,365)**		(3,116)
Unallocated gain on fair value change of investment properties		**26,011**		67,310
Loss arising from acquisition of a subsidiary		**(101,654)**		–
Gain on fair value change of the derivative components of convertible bonds		**121**		7,753
Unallocated corporate expenses		**(69,221)**		(48,234)
Finance costs		**(167,598)**		(105,489)
(Loss)/profit before tax		**(5,461)**		53,303

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

5. OTHER INCOME, GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Other income		
Interest income	**8,669**	5,213
Imputed interest income from amounts due from former subsidiaries	**1,905**	1,670
	10,574	6,883
Other gains and losses		
Adjustment on carrying amount of amount due to a related company	**47,780**	–
Gain (loss) on disposal of property, plant and equipment	**3**	(8)
Net foreign exchange gain	**11,957**	220
Reversal of allowance for bad and doubtful debts, net	**245**	273
Gain on fair value change/derecognition of derivative components of convertible bonds	**121**	7,753
Others	**–**	(297)
	60,106	7,941
	70,680	14,824

6. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank and other borrowings	**64,193**	52,596
Effective interest expense on 10.0% convertible bonds	**10,607**	17,722
Effective interest expense on 3.0% convertible bonds	**50,393**	–
Effective interest expense on 9.0% coupon bonds	**26,967**	–
Effective interest expense on 8.0% coupon bonds	**–**	14,549
Effective interest expense on 7.5% coupon bonds	**8,312**	23,194
Effective interest expense on 12.0% coupon bonds	**4,901**	30,840
Imputed interest expense from amounts due to former subsidiaries	**1,028**	900
Imputed interest expense from amounts due to related companies	**19,182**	–
Imputed interest expense from obligation arising from put option to non-controlling shareholders	**3,808**	–
Interest on finance leases	**87**	142
Total finance costs	**189,478**	139,943
Less: Amount capitalised in investment properties under construction	**(21,880)**	(34,454)
	167,598	105,489

Certain finance cost capitalised during the year ended 31 March 2018 arose on the general borrowing pool of approximately HK$4,821,000 (2017: HK$28,035,000) are calculated by applying a capitalisation rate of 11.60% (2017: 9.44%) per annum.

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**2,763**	796
The People's Republic of China ("**PRC**" or "**China**")	**4,546**	2,572
Macau	**–**	–
	7,309	3,368
Under (over) provision in prior years:		
Hong Kong	**(141)**	13
PRC	**(2,996)**	(1,159)
	(3,137)	(1,146)
Deferred tax	**19,493**	26,257
	23,665	28,479

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

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.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both years.

8. (LOSS) PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,850**	1,850
Depreciation of property, plant and equipment	**3,308**	3,681
Amortisation of intangible assets (included in administrative expenses)	**1,756**	2,291
Provision for warranty (included in cost of sales and services)	**–**	326
Staff costs (including directors' emoluments)		
Wages, salaries and other benefits	**52,762**	38,080
Retirement benefits scheme contributions	**5,956**	4,333
Equity-settled share-based payments	**1,431**	3,090
	60,149	45,503
Operating lease rentals paid in respect of rented properties	**9,158**	8,845
Operating lease rentals paid in respect of office equipment	**56**	11
Gross rental income from investment properties	**(27,172)**	(22,611)
Less: direct operating expenses incurred for investment properties that generated rental income	**4,653**	5,270
	(22,519)	(17,341)

9. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2018	2017
	HK$'000	*HK$'000*
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(77,877)**	1,337

Number of shares

	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**680,901**	317,924

9. (LOSS) EARNINGS PER SHARE (continued)

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 has been adjusted for the effect of rights issue on 19 October 2016 and the share consolidation on 27 March 2017. Details of the rights issue and share consolidation are set out in note 13.

During the year ended 31 March 2018, 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 year ended 31 March 2017, the computation of diluted earnings per share does not assume the conversion of the outstanding 10.0% convertible bonds and the exercise of share options as they would result in increase in earnings per share.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

11. TRADE RECEIVABLES AND LOAN RECEIVABLES

Trade receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**100,844**	31,112
Less: Allowances for bad and doubtful debts	**(567)**	(1,399)
	100,277	29,713

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**86,365**	5,415
31 – 90 days	**10,774**	24,079
> 90 days	**3,138**	219
	100,277	29,713

Loan receivables

Loan receivables of HK$130,986,000 (2017: HK$138,542,000) represents the outstanding loan receivables from independent third parties which are unsecured and carry interest at fixed-rates ranged from 11.0% to 18.0% per annum (2017: fixed-rates ranged from 11.0% to 18.0% per annum). The weighted average effective interest rate of the loan receivables is 15.60% (2017: 15.47%) per annum. The amounts at both 31 March 2018 and 2017 are repayable within 12 months from the loan advance dates.

12. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**66,611**	27,841
31 – 90 days	**–**	–
> 90 days	**7,734**	10,824
	74,345	38,665

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

13. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares:		
Authorised		
At 1 April 2016 of HK$0.0125 each	5,000,000,000	62,500
Increase in authorised share capital *(Note i)*	15,000,000,000	187,500
Increase in authorised share capital *(Note ii)*	30,000,000,000	375,000
Share consolidation *(Note ii)*	(48,000,000,000)	–
At 31 March 2017 and 31 March 2018 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 *(Note i)*	13,958,384,095	174,480
Share consolidation *(Note ii)*	(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 iii)*	13,716,814	4,286
At 31 March 2018 of HK$0.3125 each	683,719,250	213,662

Note i: Pursuant to the ordinary resolutions passed at the Special General Meeting of the Company held at 19 October 2016, the authorised share capital of the Company was increased to HK$250,000,000 divided into 20,000,000,000 ordinary shares by the creation of an additional 15,000,000,000 ordinary shares. Immediately following the increase in authorised share capital, the rights issue on the basis of five rights shares for every one share held was effected and a total of 13,958,384,095 ordinary shares were issued with an aggregate par value of HK$174,479,811.

13. SHARE CAPITAL (continued)

Note ii: Pursuant to the ordinary resolutions passed at the Special General Meeting of the Company held at 27 March 2017, the authorised share capital of the Company was increased to HK$625,000,000 divided into 50,000,000,000 ordinary shares by the creation of an additional 30,000,000,000 ordinary shares. Immediately following the increase in authorised share capital, the share consolidation on the basis of every 25 issued and unissued ordinary shares of HK$0.0125 each consolidated into 1 share of HK$0.3125 each was implemented. The structure of the Company's authorised share capital was changed from HK$625,000,000 divided into 50,000,000,000 ordinary shares, to HK$625,000,000 divided into 2,000,000,000 ordinary shares. The issued share capital of the Company was changed from HK$209,375,761 divided into 16,750,060,914 ordinary shares, to HK$209,375,761 divided into 670,002,436 ordinary shares.

Note iii: During the year ended 31 March 2018, 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.

14. CONTINGENT LIABILITIES

Corporate guarantee

	2018	2017
	HK$'000	*HK$'000*
Guarantee given to banks in respect of financing guarantee services provided to:		
– Independent third parties	**411,816**	390,563
– Related parties	**30,963**	14,110
	442,779	404,673

15. 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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**11,962**	6,929
In the second to fifth year inclusive	**11,769**	11,101
	23,731	18,030

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

Leases are negotiated for a term ranging from one to three years and rentals are fixed for the lease period.

15. OPERATING LEASE COMMITMENTS (continued)

As lessor

	2018	2017
	HK$'000	*HK$'000*
Within one year	**3,543**	5,530

Operating lease income represents rental receivable by the Group for its leasing of retail shop, offices and car park in the Commercial Complex (as defined in the section headed "Management Discussion and Analysis" of this announcement).

16. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in connection with the investment properties under construction	**176,786**	77,986

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continues to operate as a comprehensive financial services provider for small and medium-sized enterprises ("**SMEs**") in the PRC with main focus in the Shaanxi Province and Hong Kong during the Year. The business is carried out by its multi-licensed financial services vehicles, including 陝西普匯中金融資擔保有限公司 (Shaanxi Chinlink Financial Guarantee Limited*) (the "**Financial Guarantee Company**", a direct non-wholly-owned subsidiary of the Company) and 普匯中金融資租賃有限公司 (Chinlink Finance Lease Company Limited*) (the "**Finance Lease Company**", a direct non-wholly-owned subsidiary of the Company) licensed and based in Hanzhong and Xi'an of Shaanxi Province respectively. Application for a factoring company to be set up in Xi'an is at the final stage and will be in operation very soon. The Group also involves actively in supply chain finance and international trading in Xi'an and Hong Kong, logistics and property investment in Xi'an and Hanzhong in the Shaanxi Province.

Recently, China has stepped up its supervision on the banking and shadow banking practices to control lending to certain industries, such as real estates and off-balance sheet lending activities, aiming to contain the financial risks associated with excessive credit and over leveraging. Therefore, banks in China are getting even more cautious towards SME financing which hindered the Group's financing guarantee business growth since clients still have to rely on banks which provide loan against the Company's guarantee. However, other alternative financial products targeting to serve the real economy, like leasing, supply chain finance and factoring, are highly welcomed by the regulatory authorities. These types of financing are generally not available from the Chinese banks, and so there is huge space for the Group to expand in these areas. During the Year, both the finance lease segment and international trading segment have reflected tremendous growth. Also, the Group is going to launch factoring business later this year which is envisaged to be another strong prospective segment amongst the Group's comprehensive financial services platform. With all these in place, the Group will be in a very unique position to offer a highly comprehensive range of financial services to its clients.

During the Year and up to the date of this announcement, the Group has secured two state-owned enterprises ("**SOEs**") as its strategic partners in the Finance Lease Company and the Financial Guarantee Company. The new capitals are meant to expand their leasing and guarantee portfolios. Furthermore, given their SOE shareholder backgrounds, the companies' credit rating will be enhanced and new customer referrals from their respective networks can be achieved.

The Group's diversification into merchant banking business through the merger with MCM Holdings Limited and its subsidiaries (the "**MCM Group**") during the Year. The MCM Group is a boutique investment and merchant bank incorporated in Hong Kong, licensed and regulated by the Securities and Future Commission of Hong Kong under types 1, 2, 4 and 9, covering dealings in securities and futures contracts, and advising on securities and asset management. The MCM Group's headquarters is based in Hong Kong with office in London, and representatives from Singapore and Mumbai. Different from the Group's other lending based financing services, the MCM Group's strength mainly lies in its expertise in equity and capital market operations, providing clients innovative investment and financing solutions in the international primary and secondary markets. Target clientele may not be the same as the Group's existing SME clients and is not restricted to Hong Kong and China. Founded in 2012 by a team of experienced bankers of top multi-national investment banking backgrounds with established global connections, the MCM Group has already secured a client base across the Greater China and other Asian markets, linking clients with a pool of international investment funds, sovereign wealth, private equity and family offices. It has conducted a lot of transactions for international clients and investors across Hong Kong, China, United States, Europe, India and Singapore. The MCM Group will focus more on China in working together with the Group to assist Chinese enterprises in entering the international capital market. The MCM Group will continue to expand its China operations and is applying for asset management licence for onshore asset management, private equity funds and wealth management operations in China to capitalise on the Group's advantageous position in the market.

The Group's property investments mainly consist of the 大明宮建材家居•東三環店 (Damingong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)*) (the "**Commercial Complex**") situates in the eastern part of Xi'an, and two other valuable projects in the final stage of development. The Commercial Complex was previously 73.375% owned by the Group only. In February 2018, the Group acquired the remaining 26.625% at a consideration of RMB295.9 million. Currently, the Commercial Complex is enjoying a high occupancy rate of approximately 99% with a pool of quality tenants, generating stable rentals and management fees to the Group. The Group also possesses another piece of undeveloped land near the Commercial Complex with the potential to build 119,000 square metres ("**sq. m.**") additional space (the "**Phase Two Development**"). The original plan of Phase Two Development in 2015 was to develop a mixed-use commercial and residential building to be completed by the end of 2016. It was postponed because of the unfavorable Xi'an property market condition during the last few years. However, in the past 12 months, Xi'an real estates experienced a strong surge especially in the residential sector. The commercial sector for office and retail is lagging behind but is generally expected to catch up very soon. Also, in the past few years, there have been substantial demographic changes in the neighbourhood. In the past, it was mainly consisted of traditional dwellings and older populations. As part of the overall Xi'an old city redevelopment scheme, many residential developments are completed and the area is now composed of many high-rise residential estates, mostly occupied by young middle-income families with relatively high spending power and preferences for lifestyle shopping experience rather than traditional mall. As the highly-densed residential estates nearby are not equipped with shopping and retail facilities, the Group intends to change the development solely for commercial use to match with the change of market conditions and the up-side potential of commercial property value. The Phase Two Development will commence in the third quarter of 2019 and is targeted to be completed by the third quarter of 2022. It will be built as a lifestyle retail and leisure complex to provide the same 119,000 sq. m., and will be integrated with the existing Commercial Complex.

Another major property investment project of the Group is the Chinlink•Worldport Integrated Logistics Park ("**Chinlink•Worldport**") located in the Hanzhong Baohe Logistics Park in Hanzhong City, a major city in the south western part of the Shaanxi Province. Hanzhong's economy has been developing rapidly over the last few years, benefiting from its diversification from traditional mining and agricultural industries, to equipment and machinery assembly and manufacturing, especially in the area of transferring national defence, aviation and aerospace technologies into civilian uses. Also, a new high-speed train route between Xi'an and Chengdu was open in last October, and it only takes around an hour to travel from Xi'an to Hanzhong. This has become another booster to the Hanzhong's economy. But the most important consideration for the Group to invest substantially in the city is its strategic location as a transportation and logistics hub for the regions covering Shaanxi, Sichuan, Chongqing and the western inland provinces like Gansu, Xinjiang and Ningxia, which are linked by an extensive highway and rail networks that are largely completed. The Chinlink•Worldport project is designed to be an inland port and transportation and logistics entrepot connecting the road and rail systems, with custom and bonded warehouses to serve the region's import and export trades, wholesale distribution of building and construction materials, home furnishing products, Chinese herbs and medicines, and fast-moving consumer products. The entire Hanzhong Baohe Logistics Park project covers a land mass of approximately 9,000 mu, in which the planned land of area of Chinlink•Worldport covers approximately 3,800 mu and to be acquired and built by phases. The first phase of Chinlink• Worldport is designed as a wholesale marketplace for building and construction materials, home furnishing products, and Chinese herbs and medicines, operated by our experienced management team and equipped with supporting business, hotel and food and beverages facilities, and warehouses. Total area of the wholesale marketplace for building and construction materials and home furnishing products is approximately 150,000 sq. m., and its official opening is scheduled in the third quarter of 2018. There has been certain delayed in the opening mainly due to the late completion of public works like roads, drainages and water supply.

In May 2017, the Group completed the acquisition of a parcel of land situated in Xi'an, with construction currently in progress for a prime commercial and office building with total gross floor area of approximately 55,491 sq. m. (the "**Commercial Building**"). This Commercial Building is located at an ideal business and residential district surrounded by the People's Government of Xi'an Municipality, Xi'an Economic & Technological Development Zone, China (Shaanxi) Pilot Free Trade Zone, and the Xi'an High-speed Railway Station. The Commercial Building comprises office and commercial facilities.

The Group's international trading business mainly focuses on electronic components and edible oil. It has enjoyed substantial growth in the international trading business as market demand for critical electronic components remains strong, and is still growing. Further to our existing local suppliers of edible oil in Xi'an, the Group will diversify the supplier base by importing directly from Russia and sale to local processors and distributors in Xi'an. As a result, the Group anticipates continuous growth in this business segment.

Segmental Performance

International Trading Business

For the Year, the international trading recorded a 175.3% growth. Revenue increased from HK$405.4 million for the year ended 31 March 2017 (the "**Previous Year**") to 1,115.9 million. The increase is mostly attributable to the high demand of NAND flash memory and other critical electronic components which constitute a major portion of the total international trading business. According to Gartner, the global semiconductor industry grew by more than 20.0% in 2017, within which the memory chip market grew by 61.8%. Gross profit margin also improved from 2.9% to 3.2% due to the economy of scale resulted from the growth of NAND flash and electronic components business.

Financing Guarantee Services Business

For the Year, the Group generated the revenue of HK$17.0 million from financing guarantee services which is the same as the Previous Year. The growth of the financing guarantee services is limited by the on-going cautious attitude of the Chinese banks towards lending to SMEs under the prevailing tight liquidity situation in China. However, the Group will be able to expand the guarantee booked by joint effort with the newly-established Finance Lease Company to provide guarantee for their leasing transactions.

Finance Lease Services Business

For the Year, the Group generated the revenue of HK$8.8 million from finance lease services since the Finance Lease Company had commenced business in September 2017. 中金旅投資控股有限公司 (Zhong Jinlv Investment Holding Company Limited* ("**Zhong Jinlv**")) has agreed to invest RMB120.0 million in the Finance Lease Company for 37.5% interest. As of 31 March 2018, Zhong Jinlv has injected RMB91.8 million. Zhong Jinlv is a subsidiary of 陝西旅遊集團有限公司 (Shaanxi Tourism Group Company Limited*), which is a SOE. With this additional SOE shareholding background, the finance lease services business is expected to achieve higher growth and will become one of the important revenue growth drivers for the Group in the coming year.

Logistics Services Business

For the Year, the Group generated the revenue of HK$0.9 million from logistics services, reflecting a decrease of 10.0% when compared with HK$1.0 million from the Previous Year. The logistics segment is ancillary to the Group's international trading and financing services by providing warehouse management and stock monitoring services. It is not expecting any substantial change in the near future.

Property Investment Business

For the Year, the Group generated the revenue of HK$92.8 million from property investment business, reflecting an increase of 19.6% from HK$77.6 million in the Previous Year. The revenue was solely generated from the rental income and management fee income from the Commercial Complex. The occupancy rate has reached approximately 99.0% as of 31 March 2018.

Interior Decoration Work Business

For the Year, the Group generated the revenue of HK$0.1 million from interior decoration work, reflecting a decrease of 95.2% compared with HK$2.1 million from the Previous Year. Over the past few years, income from the interior decoration work business had been reducing as a result of the Group's repositioning from this business operations since it foresees limited opportunity for any new and large-scale projects in the future.

FINANCIAL REVIEW

Profitability Analysis

For the Year, the Group's revenue was HK$1,257.7 million, reflecting a significant increase of 142.4% from HK$518.8 million in the Previous Year which was mainly attributable to an increase in contribution from international trading business. Revenue contribution by segments comprised: international trading of HK$1,115.9 million (2017: HK$405.4 million), property investment of HK$92.8 million (2017: HK$77.6 million), financing guarantee services of HK$17.0 million (2017: HK$17.0 million), finance lease service of HK$8.8 million (2017: Nil), logistics services of HK$0.9 million (2017: HK$1.0 million), interior decoration work of HK$0.1 million (2017: HK$2.1 million) and other revenue of HK$22.2 million (2017: HK$15.9 million).

Gross profit for the Year increased significantly to HK$147.2 million, up 57.3% from HK$93.6 million in the Previous Year, while gross profit margin declined to 11.7% from 18.0% in the Previous Year. The increase in gross profit was mainly due to the increase in revenue generated from the international trading business and the new business segment, namely finance lease services and the consolidation of income from MCM Group after the completion of acquisition in November 2017. The decrease in overall gross profit margin in the Year was the result of international trading business contributing about 88.7% (2017: 78.1%) of the total revenue while its gross profit margin is relatively low.

Other income, gains and losses recorded a gain of HK$70.7 million (2017: HK$14.8 million) for the Year, mainly attributable to an adjustment on the carrying amount of amount due to a related company and the exchange gain arising from appreciation of Renminbi ("**RMB**") against HK$ during the Year.

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

Gain on fair value change of investment properties amounted to HK$161.0 million (2017: HK$142.1 million) for the Year. It was mainly attributable to a fair value change of the Commercial Complex, Chinlink•Worldport and the Commercial Building.

Administrative expenses amounted to HK$103.4 million for the Year, representing an increase of HK$20.5 million as compared with HK$82.9 million of the Previous Year. The increase was mainly due to the legal and professional fees incurred for various acquisitions as mentioned under the section headed “Material Acquisitions” and consolidation of the administrative expenses of MCM Group after the completion of MCM Acquisition (as defined below).

Finance costs amounted to HK$167.6 million for the Year, representing an increase of HK$62.1 million as compared with HK$105.5 million of the Previous Year. The increase was mainly due to the 3.0% Convertible Bonds issued during the Year.

Despite the increase in revenue, gross profit and the gain on fair value change of investment properties as mentioned above, due to (i) a one-off non-cash loss arising from the acquisition of a subsidiary and the shareholder’s loan; and (ii) interest expense incurred on 3.0% Convertible Bonds, the Group recorded a loss for the Year of HK$29.1 million as compared with a profit of HK$24.8 million in the Previous Year.

Liquidity and Financial Resources

As at 31 March 2018, the bank balances and cash, pledged bank deposits and restricted deposits amounted to HK$703.6 million in total, representing an increase of HK$247.6 million from HK$456.0 million in the Previous Year. The increase was mainly due to (i) the contributions from Zhong Hui Group being acquired during the Year; (ii) the increase in pledged bank deposits for the addition of bank facilities; and (iii) capital injection by Zhong Jinlv of RMB91.8 million (equivalent to approximately HK$108.2 million) to the Finance Lease Company during the Year.

As at 31 March 2018, the bank and other borrowings of the Group which were mainly denominated in United States dollars (“**US$**”), HK$ and RMB amounted to HK$1,095.7 million (31 March 2017: HK$1,076.8 million), representing an increase of HK$18.9 million from that of 31 March 2017, of which HK$683.5 million and HK$412.2 million were repayable within one year and two to five years respectively.

During the Year, 7.5% coupon bonds (issued in 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 25 July 2017, the Company issued 9.0% coupon bonds (the "**First 9.0% Coupon Bonds**") with aggregate principal amount of 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. 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.

After completion of the issue of the First 9.0% Coupon Bonds, the Company issued another 9.0% coupon bonds (the "**Second 9.0% Coupon Bonds**", together with the First 9.0% Coupon Bonds, collectively, the "**9.0% Coupon Bonds**") in two tranches on 4 August 2017 and 25 August 2017 with aggregate principal amount of 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. 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. As at 31 March 2018, 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.

On 5 December 2017, the Company issued 12.0% coupon bonds (the "**12.0% Coupon Bonds**") with principal amount of US$15.0 million (equivalent to approximately HK$117.0 million). The 12.0% Coupon Bonds are unsecured, repayable on the day falling on the third anniversary of the issue date and interest bearing at 12.0% per annum. Details of the 12.0% Coupon Bonds are set out in the announcements of the Company dated 1 December 2017. As at 31 March 2018, among the aggregate gross proceeds from the 12.0% Coupon Bonds of US$15.0 million (equivalent to approximately HK$117.0 million), HK$56.8 million was used to refinance the Group's borrowings, HK$44.6 million was used for development of finance leasing business and HK$15.6 million was used as general working capital of the Group and as direct cost of financing.

Other than the issue of the 9.0% Coupon Bonds and 12.0% Coupon Bonds as mentioned above, the Company also issued 3.0% Convertibles Bonds during the Year for the Zhong Hui Acquisition and the Possible Financing (as defined below), details of which were disclosed in the following section headed "Material Acquisitions".

As at 31 March 2018, the Group recorded net current liabilities of HK$111.8 million (31 March 2017: HK$399.1 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.91 (31 March 2017: 0.64). The improvement in the current ratio of the Group was mainly attributable to (i) certain borrowings which were due during the Year were refinanced by the issue of certain long-term debts, for instance, the 9.0% Coupon Bonds and 12.0% Coupon Bonds; (ii) the issue of Financing Bonds (as defined below); (iii) maturity dates of the amount due to a related company being extended to over one year after 31 March 2018; and (iv) net current assets of Zhong Hui Group being consolidated after completion of the Zhong Hui Acquisition.

Share Capital

As at 31 March 2018, 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 Year.

As at 31 March 2018, the number of issued shares of the Company was 683,719,250 (31 March 2017: 670,002,436). During the Year, 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 date 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 Year.

Subsequently, on 18 April 2018, the remaining 3.0% Convertible Bonds were fully converted into 641.2 million shares.

Material Acquisitions

On 2 February 2017, the Company entered into the acquisition agreement (the "**Acquisition Agreement**") in relation to the proposed acquisition of the entire issued capital of Zhong Hui Global Limited ("**Sale Share**") (with its subsidiaries, collectively, the "**Zhong Hui Group**") (which was indirectly wholly-owned by Mr. Li) at a consideration of HK$96.0 million. Simultaneously, the Company entered into the loan purchase and financing agreement (the "**Loan Purchase and Financing Agreement**") in relation to the proposed acquisition of the shareholder's loan (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 (the acquisition of Sale Share and Sale Loan, collectively the "**Zhong Hui Acquisition**") and Mr. Li agreed to provide financing to the Group in the amount of HK$58.0 million (the "**Possible Financing**"). 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 the Commercial Building which was construction in progress 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 3.0% convertible bonds of HK$96.0 million (the "**Share Consideration Bonds**"), 3.0% convertible bonds of HK$216.0 million (the "**Loan Consideration Bonds**") and 3.0% convertible bonds of HK$58.0 million (the "**Financing Bonds**", together with the Share Consideration Bonds and Loan Consideration Bonds, collectively the "**3.0% Convertible Bonds**") by the Company 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 Zhong Hui Acquisition and the Possible Financing were completed during the Year. 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, 23 May 2017, 21 July 2017 and 22 November 2017 and the Company's circular dated 31 March 2017. Accordingly, the Company had fully issued the 3.0% Convertible Bonds with aggregate principal amount of HK$370.0 million and the net proceeds from the issue of Financing Bonds was utilised for the construction of the Commercial Building.

On 11 June 2017, the Company and the shareholders (the "**MCM Founders**") of Instant Karma Global Holdings Limited ("**IK Global**") 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 Limited ("**Trillion Up**") (a direct wholly-owned subsidiary of the Company)), 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**"). As a result, the entire issued share capital of Alpha Yield shall be held as to 51.0% by Trillion Up and 49.0% by IK Global upon completion of the Transactions (the "**MCM Completion**"). MCM Completion was taken place on 6 November 2017.

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 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.

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.

On 30 January 2018, the Company entered into the sale and purchase agreement (the "**S&P Agreement**") (as supplemented by a supplemental agreement dated 15 February 2018), to acquire 26.625% of the total equity interest of each of Xi'an Tang Rong Real Estate Limited ("**Tang Rong**") and Xi'an Da Ming Gong Ba Qiao Furniture and Fixture Limited ("**Ba Qiao**") (the "**EDMG Acquisition**") at a total cash consideration of RMB295,941,700 (equivalent to approximately HK$366.5 million). On the date of the S&P Agreement, the Company indirectly owned 73.375% of the total equity interest of both Tang Rong and Ba Qiao.

The consideration of EDMG Acquisition was financed by an unsecured short-term interest-free bridging loan provided by Mr. Li, through his controlled company. Part of such bridging loan was subsequently refinanced by a 2-year credit facility in the sum of US$41,000,000 provided by an independent lender pursuant to a loan facility agreement dated 15 February 2018.

The EDMG Acquisition was completed on 15 February 2018 and both Tang Rong and Ba Qiao became the indirectly wholly-owned subsidiaries of the Company thereafter. The financial results of Tang Rong and Ba Qiao have been consolidated into the Group and remain no thereafter.

For details, please refer to the announcements of the Company dated 30 January 2018 and 15 February 2018 respectively.

Progress on Deemed Disposal Transactions

On 1 March 2017 and 26 April 2017, Chinlink Alpha Limited ("**Chinlink Alpha**") (currently an indirect non-wholly-owned subsidiary of the Company) and 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**") (being an investing vehicle of Hantai District government) entered into a non-legally binding letter of intent and a co-operation agreement ("**Co-operation Agreement I**"), respectively, in relation to the possible capital injection of RMB100.0 million (equivalent to approximately HK$125.0 million) into the Financial Guarantee Company, a direct wholly-owned subsidiary of Chinlink Alpha. As a result, the Financial Guarantee Company will be held directly as to approximately 67.0% by Chinlink Alpha (approximately 34.2% held indirectly by the Company) and approximately 33.0% by Hanjiang.

Subsequently, Hanzhong City government decided to carry out the capital injection into the Financial Guarantee Company through another enterprise, namely 漢中市投資控股集團有限公司 (Hanzhong City Investment Holdings Group Limited*) ("**Hanzhong Investment**") which is under its direct control and hence the Co-operation Agreement I was terminated on 17 May 2018. On the same date, Chinlink Alpha, Hanzhong Investment and the Financial Guarantee Company entered into a new financial guarantee co-operation agreement in relation to the capital injection of RMB120.0 million (equivalent to approximately HK$150.0 million) into the Financial Guarantee Company. The shareholding structure of the Financial Guarantee Company after the completion of the capital injection by Hanzhong Investment will be held directly as to approximately 65.0% by Chinlink Alpha (approximately 33.2% held indirectly by the Company) and approximately 35.0% by Hanzhong Investment. The Financial Guarantee Company will remain to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

Details of the above transactions were set out in the announcements of the Company dated 1 March 2017, 26 April 2017 and 17 May 2018 respectively.

As at the date of this announcement, Hanzhong Investment has not yet injected capital to the Financial Guarantee Company.

On 16 March 2017 and on 26 April 2017, Chinlink Alpha and Zhong Jinlv entered into a non-legally binding letter of intent and a finance lease co-operation agreement ("**Co-operation Agreement II**") in relation to the possible capital injection into Finance Lease Company, respectively. The proposed gross investment amount to be contributed by Zhong Jinlv to the Finance Lease Company, will be approximately RMB120.0 million and in the form of equity interest. 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.

On 26 October 2017, Chinlink Mega Limited ("**Chinlink Mega**") (which then held 100% equity interest in the Finance Lease Company after the Group's re-organisation), Zhong Jinlv and the Finance Lease Company entered into the capital increase agreement to set out (i) the detailed arrangements relating to the capital injection by Zhong Jinlv; (ii) the respective rights and obligations of Chinlink Mega and Zhong Jinlv in the Finance Lease Company; and (iii) the percentage shareholding interest of Chinlink Mega and Zhong Jinlv in the Finance Lease Company as to 62.5% and 37.5% respectively 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. The Finance Lease Company will remain to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group. 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 31 March 2018, Zhong Jinlv has injected capital of RMB91.8 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 31 March 2018 was 0.64 (31 March 2017: 0.56) which was calculated based on the Group's total liabilities of HK$3,300.5 million (31 March 2017: HK$2,014.2 million) and the Group's total assets of HK$5,152.0 million (31 March 2017: HK$3,579.1 million). The slight setback in the gearing ratio was mainly due to the issue of 3.0% Convertible Bonds and amounts advanced from a related company for the EDMG Acquisition during the Year.

Foreign Currency Exposure

The Group's revenue and expenses were mainly denominated in HK$, RMB and US$. The pledged bank deposits were denominated in US$, RMB and HK$. Other bank deposits were dominated in HK$, RMB, Macau Pataca ("**MOP**") and US$. Other monetary assets and liabilities were mainly denominated in HK$, RMB and US$. During the Year, 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 14 of this announcement, the Group did not have any significant contingent liabilities.

As at 31 March 2018, the Group had pledged bank deposits of HK$448.6 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$1.4 million and HK$3,149.7 million to secure obligations under finance leases and banking facilities, respectively.

Capital Commitments

As at 31 March 2018, the Group had capital commitments contracted but not provided for amounting to HK$176.8 million in respect of the development of Chinlink•Worldport and Commercial Building. Details of the commitments are set out in note 16 on page 16 of this announcement.

The Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholder of the Company.

Events after the reporting period

Save as the termination of the Co-operation Agreement I and the entering into the new financial guarantee co-operation agreement on 17 May 2018 as disclosed in the section headed "Progress on Deemed Disposal Transactions" above, the Group has no significant events after the reporting period.

Final Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).

Major Risks

The major risks that may affect the Group's business are outlined below:

Economic Risk

The Group's core businesses and properties are located in Hong Kong and China. As such, the general policies and politics, and fiscal and monetary policies of the governments of Hong Kong and China may have a direct or indirect economic impact on the Group. The Group closely monitors the economic environment, evaluates the situation and adjusts its strategy as needed to mitigate these risks.

Credit Risk

The Group's exposure to credit risk results from trade debtors and loan receivables arising from the sale of goods, rendering of services to customers and providing loans to customers, and the provision of guarantees to lending banks in favour of customers obtaining loans provided by the lending banks. The Group has a credit policy in place and credit risk is monitored on an on-going basis. Individual credit assessments are carried out to determine the credit limits and terms which are reviewed on a regular basis.

Liquidity Risk

The Group manages its liquidity risk by closely monitoring its current and expected liquidity requirements, ensuring that there is sufficient liquid cash, committed bank facilities and/ or loans from its controlling shareholders to meet its funding needs. In addition, the Group continuously monitors its compliance with loan covenants.

Compliance Risk

The Group recognizes the risks of non-compliance with regulatory requirements. The Group conducts on-going reviews of laws and regulations affecting its operations and provides relevant training and guidance to staff.

Relationship with Employees, Customers and Suppliers

As at 31 March 2018, the Group had 50 employees in Hong Kong and 261 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 Shaanxi Province, with Xi'an in particular, is surging to grasp the opportunities presented by the important national strategies including the Belt and Road Initiative (the "**Belt and Road**"), the China's Western Development Strategy which aims to develop the vast western regions of China, and the recent announcement by the Chinese State Council in January 2018 to position Xi'an as one of the nine National Central Cities in China, a city of the highest level, meaning that Xi'an should perform as the engine of the regional development. The Chinese State Council further affirms Xi'an's status as an international metropolis, and its crucial role in economic and cultural exchange with the international community as espoused by the Belt and Road. Xi'an is also mandated to become a culture, trade, logistics and finance centre of the north-western China along the Silk Road, and most importantly, the hard and core technology capital of the world. Xi'an houses a large number of higher education and research institutions, amount of which is only after Beijing and Shanghai. There are more than 300,000 graduates entering the job market in Xi'an each year. Xi'an also possesses strong technology base in the area of national defence, aerospace, aircraft, biomedicine, computer science and software, and so on. Its technology base and human resources are amongst the top three in the nation.

The Group enjoys early mover advantage in Shaanxi and Xi'an. Since 2012, the Group has been gradually building up its comprehensive financial service eco-system including alternative finance, international trading, logistics services and property investment. The Group has witnessed the developmental progress of Xi'an and Shaanxi Province, notably the high yearly GDP growth, the establishment of China (Shaanxi) Pilot Free Trade Zone, the on-going urbanisation and improvements of city commute facilities, the decrease of unsold property stock and raising property price, the growth of young and educated population, and so on. But the most phenomenal changes are the mushrooming of start-ups, co-work space, accelerators and incubators, and the increase of plants, research and development centres, and regional logistics hubs set up by large domestic and international corporations in Xi'an and other parts of Shaanxi Province. To name a few, Alibaba, Tencent, Jingdong, and even Amazon have chosen to set up their regional bases in Xi'an, not to mention Samsung Electronics and Micron, which are two of the largest integrated circuit manufacturers in the world. This is mainly attributed to the new Provincial and Municipal governments' policies and incentive schemes launched in the past two years to promote innovation and creativity, commercialisation of research results, and most importantly, entrepreneurship. Early this year, the People's Government of Xi'an Municipality introduced a plan to encourage local enterprises to go for public listing either in Shanghai, Shenzhen or overseas stock markets mainly Hong Kong. The Group treats this as a golden opportunity as these new business activities will definitely create more demands for capital in the forms of equity and loans, and eventually will appreciate the Group's investment value.

This favourable business environment provides the Group with a great opportunity to further expand its existing alternative financing businesses, i.e. the financing guarantee and finance lease. The Finance Lease Company started the business in September 2017, and during the Year, the Group secured Zhong Jinlv, a SOE, as a strategic partner. Partnering with Zhong Jinlv can enhance the credit standing of the Finance Lease Company, making it more accessible to bank financing at lower costs. In addition, the partnership can expand the Finance Lease Company's customer base by bringing in tourism-related leasing businesses. The Group is also exploring ways to securitise some of the leasing portfolios in order to enhance the balance sheet liquidity and the overall yield.

In respect of the property investment business segment, Chinlink•Worldport is expected to commence its operation by the third quarter of 2018. The Group will also offer a full range of financial services to its tenants. The high-speed railway service between Xi'an, Hanzhong and Chengdu was open in the end of 2017, and thus the traffics and economic activities of Hanzhong have been substantially increased. As this area is becoming an investment hot spot in the region. Chinlink•Worldport as a trading and logistics hub will surely benefit from this macro environment change, and expects a significant appreciation in its investment value in the near future. Once the first phase of the Chinlink•Worldport is up and running to its optimal scale, the Group does not rule out the possibility to sell some of the commercial units to realise the appreciation value and raise the rentals to a higher level. Additionally, the construction work of the Commercial Building which was acquired in May 2017 will be completed by the third quarter of 2018, and it will be for rental purposes and expected to further increase our incomes from property investment. As Xi'an's local demand for such prime quality commercial cum office is very high, the Group expects a high occupancy rate with a reasonable rental return within the first year of launching.

The international trading and supply chain finance have registered very high growth in the last two years. From this year onwards, the Group's Hong Kong and Xi'an offices will work closely on the cross-border trade of edible oil from Russia and other types of commodity products by utilising Xi'an's customer base and Hong Kong's competitive funding costs. Factoring will be a new business line and a growth area for the Group, and is an ideal synergy with the Group's international trading and supply chain finance businesses. As Xi'an is becoming an international and regional trading hub under the Belt and Road, it is a very good timing for the Group to roll out and expand its supply chain finance and factoring businesses.

Logistics services has been a supporting function to the Group's international trading and financial services to provide warehousing and stock monitoring services. It is not a profit centre amongst the Group's other businesses, and not is expecting any substantial change in the future.

Over the last few years, income from the interior decoration work business has been reducing as a result of the Group's repositioning from this business operation since it foresees limited opportunity for any new and large-scale projects in the future.

The Group is an integrated financial services provider operating in China and Hong Kong and holds multiple licences to provide various types of financial services. The Group is also undergoing the process of applying for factoring and microfinance licences in Xi'an. If the approvals are granted, the Group can have a full range of finance licences to operate in Shaanxi Province and other parts of China (depending on the territorial restrictions on certain licences like the one granted to the Financial Guarantee Company which allows operations only within the Shaanxi Province), and the synergy among the Group's different financial services businesses will be more prominent. In November 2017, Chinlink completed the acquisition of 51% stake in the MCM Group. The MCM Acquisition is a very important strategic move of the Group. Such acquisition provides a unique opportunity for the Group to expand its financial services scopes by utilising the MCM Group's expertise in international capital market and asset management. Combining the Group's knowledge and strong relationships of the China market with the MCM Group's extensive global network and the investment banking experience of its founders and key members, the Group is well-positioned to open up a new business frontier as a cross-border integrated financial platform to serve the growing capital and investment needs of its clients in the Shaanxi Province. These clients have been underserved by major international financial institutions due to the development disparity as an inland region in the past, relative to the coastal region, but with investment needs resulted from the strategic and geographic importance under the Belt and Road, the China's Western Development Strategy and the Greater Xi'an Metropolitan development plan, this is a great potential for the Group. The MCM Group will serve as the conduit to connect the up-and-coming Chinese corporates and capital market, particularly from Shaanxi Province and Xi'an, to the international financial market.

Future looks very encouraging for the Group because it has successfully transformed into a comprehensive financial service group with well-established foothold in Shaanxi Province, which is one of the most potential markets in China and possesses the extensive global reach from Hong Kong, one of the most important financial centres in the world. It is time for the Group to capitalise on its past years' efforts.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the year ended 31 March 2018, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Weibin is the chairman and the managing director of the Company (the Company regards the role of its managing director to be the same as that of chief executive under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 March 2018.

REVIEW OF FINANCIAL STATEMENTS

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors namely, Ms. Lai Ka Fung, May (Chairman), Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2018 and discussed the risk management and internal control and financial reporting matters.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

APPRECIATION

The Board would like to express its sincere appreciation to all the Group's investors, customers, partners and shareholders for their continuing support and would like to thank the staff of the Group for their invaluable contribution to the Group.

PUBLICATION OF ANNUAL REPORT

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

The 2017/2018 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

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

Hong Kong, 25 June 2018

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.