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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 2018 (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 2018

		Six months ended 30 September	
		2018	2017
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3A*		
Goods and services		**802,339**	443,931
Rental		**13,184**	12,883
Interest		**23,613**	8,739
Total Revenue		**839,136**	465,553
Cost of sales		**(734,820)**	(406,725)
Gross profit		**104,316**	58,828

* *For identification purpose only*

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

For the six months ended 30 September 2018

	NOTES	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Other income, gains and losses		**(13,487)**	32,734
Loss arising from acquisition of a subsidiary		**–**	(101,654)
Gain on fair value change of investment properties		**154,927**	105,520
Impairment loss on goodwill		**(5,473)**	–
Selling and distribution costs		**(3,925)**	(6,147)
Administrative expenses			
– equity-settled share-based payments		**(197)**	(1,051)
– other administrative expenses		**(64,258)**	(43,774)
		(64,455)	(44,825)
Finance costs	*4*	**(99,252)**	(69,362)
Profit (loss) before taxation	*5*	**72,651**	(24,906)
Income tax expense	*6*	**(31,819)**	(16,869)
Profit (loss) for the period		**40,832**	(41,775)
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(274,375)**	104,280
Total comprehensive (expense) income for the period		**(233,543)**	62,505
Profit (loss) for the period attributable to:			
Owners of the Company		**39,211**	(75,865)
Non-controlling interests		**1,621**	34,090
		40,832	(41,775)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(219,970)**	10,743
Non-controlling interests		**(13,573)**	51,762
		(233,543)	62,505
Earnings (loss) per share			
Basic	*7*	**HK3.09 cents**	HK(11.19) cents
Diluted	*7*	**HK3.09 cents**	HK(11.19) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	30.9.2018 HK$'000 (unaudited)	31.3.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**22,475**	24,378
Investment properties		**3,765,999**	3,871,563
Goodwill		**37,243**	42,716
Financial assets at fair value through profit or loss		**14,417**	–
Refundable deposit for land auction		**10,237**	–
Available-for-sale investment		**–**	1,239
Prepayment and deposit paid for a life insurance policy		**–**	12,215
Deposits and prepayments		**3,288**	3,128
Finance lease receivables	9	**146,496**	125,269
		4,000,155	4,080,508
Current assets			
Inventories		**10,196**	872
Trade receivables	9	**41,269**	100,277
Trade receivables from related companies	9	**364**	269
Loan receivables	9	**92,954**	130,986
Finance lease receivables	9	**85,994**	76,531
Factoring receivables	9	**103,143**	–
Other receivables, deposits and prepayments		**17,307**	37,647
Amounts due from former subsidiaries		**22,355**	21,305
Restricted deposits		**–**	61,927
Pledged bank deposits		**447,509**	448,550
Bank balances and cash		**102,182**	193,082
		923,273	1,071,446
Current liabilities			
Deferred revenue		**2**	2
Trade payables	10	**17,903**	74,345
Other payables and accruals		**72,499**	76,471
Loans from staff		**23,734**	30,857
Construction cost accruals		**130,199**	164,576
Receipts in advance		**17,189**	46,147
Contract liabilities		**38,635**	–
Deposits received from tenants		**19,184**	19,623
Amounts due to related companies		**13,046**	68,186
Amount due to a director		**223**	43
Amounts due to former subsidiaries		**8,931**	8,365
Provision for warranty		**126**	126
Financial guarantee contracts		**2,073**	3,180
Tax payable		**6,033**	7,042
Bank and other borrowings		**935,668**	683,494
9.0% coupon bonds		**345,626**	–
Obligations under finance leases		**337**	749
		1,631,408	1,183,206

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2018

	NOTE	**30.9.2018** ***HK$'000*** **(unaudited)**	31.3.2018 *HK$'000* (audited)
Net current liabilities		**(708,135)**	(111,760)
Total assets less current liabilities		**3,292,020**	3,968,748
Non-current liabilities			
3.0% convertible bonds		**–**	287,802
9.0% coupon bonds		**–**	355,967
12.0% coupon bonds		**119,453**	119,099
Obligation arising from a put option to a non-controlling shareholder		**86,519**	81,049
Deferred tax liabilities		**270,933**	276,511
Receipts in advance		**5,381**	24,026
Contract liabilities		**8,092**	–
Bank and other borrowings		**590,578**	412,180
Amounts due to related companies		**188,736**	560,541
Obligations under finance leases		**117**	144
		1,269,809	2,117,319
		2,022,211	1,851,429
Capital and reserves			
Share capital	*11*	**456,753**	213,662
Reserves		**1,502,813**	1,560,282
Equity attributable to owners of the Company		**1,959,566**	1,773,944
Non-controlling interests		**62,645**	77,485
		2,022,211	1,851,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 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**").

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

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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC)– Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of investment property

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group mainly recognises revenue from the following major sources:

- international trading
- property investment (rental income and management fee income)
- financing guarantee services
- interest income from money lending and factoring businesses and finance lease services
- financial advisory services
- logistics services

Rental income of investment properties and interest income from finance lease services will continue to be accounted for in accordance with HKAS 17 *Leases* and interest income from money lending and factoring businesses will be accounted for under HKFRS 9; whereas revenue from other sources will be accounted for under HKFRS 15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

<u>Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation</u>

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Warranties

The Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.1.2 Summary of effects arising from initial application of HKFRS 15

Under HKAS 18, an entity recognises revenue on a gross basis if it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Under HKFRS 15, an entity recognises revenue on a gross basis only if it controls the specified good or service before that good or service is transferred to a customer and removed the consideration of the credit risk of the customers. Based on the terms of certain agreements entered into between the suppliers and the Group regarding the sales of grain and oil products, the Group determined that it does not bear the credit risk for the goods sold. As such, the Group has changed the basis of presentation of revenue for sales of grain and oil products in the trading business from a gross basis to a net basis.

The Group has performed an assessment on the impact of the application of HKFRS 15 and concluded that except for the revenue from sales of grain and oil products as mentioned above, it does not have a material impact on the timing and amounts of other types of revenue recognised in the respective reporting periods, and therefore no adjustment to the opening retained profits at 1 April 2018 was recognised.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Inventories	*(a)*	872	(872)	–
Other receivables, deposits and prepayments	*(a)*	37,647	872	38,519
Current liabilities				
Receipts in advance	*(a)(b)*	46,147	(35,414)	10,733
Other payables and accruals	*(a)*	76,471	7,792	84,263
Contract liabilities	*(b)*	–	27,622	27,622
Non-current liabilities				
Receipts in advance	*(b)*	24,026	(14,339)	9,687
Contract liabilities	*(b)*	–	14,339	14,339

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

(a) *In relation to certain previously completed contracts regarding the sales of grain and oil products which would have been accounted for on a net basis under HKFRS 15, the inventories of HK$872,000 and receipts in advance of HK$7,792,000 at 31 March 2018 were reclassified to other receivables and other payables respectively at 1 April 2018.*

(b) *At the date of initial application of HKFRS 15, receipts in advance from customers of HK$27,622,000 and HK$14,339,000 related to consideration received for property management services, financing guarantee services and logistics services previously included under current liabilities and non-current liabilities respectively were reclassified to contract liabilities.*

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarises the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported *HK$'000*	**Adjustments** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current assets			
Inventories	10,196	256	10,452
Other receivables, deposits and prepayments	17,307	(256)	17,051
Current liabilities			
Contract liabilities	38,635	(38,635)	–
Other payables and accruals	72,499	(2,547)	69,952
Receipts in advance	17,189	41,182	58,371
Non-current liabilities			
Contract liabilities	8,092	(8,092)	–
Receipts in advance	5,381	8,092	13,473

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Notes	**As reported** *HK$'000*	**Adjustments** *HK$'000*	**Amount without application of HKFRS 15** *HK$'000*
Revenue				
– Goods and services	*(a)*	802,339	11,416	813,755
– Rental		13,184	–	13,184
– Interest		23,613	–	23,613
Total Revenue		839,136	11,416	850,552
Cost of sales	*(a)*	(734,820)	(11,416)	(746,236)
Gross profit		104,316	–	104,316
Others with no adjustments		(337,859)	–	(337,859)
Total comprehensive expense for the period		**(233,543)**	**–**	**(233,543)**

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

(a) Under HKAS 18, the Group recognised sales of grain and oil products on a gross basis, i.e. the Group was considered as a principal, mainly due to its significant exposure to credit risk of customers. Upon application of HKFRS 15, the Group is considered as an agent, the performance obligation is to arrange for the provision of grain and oil products, as the Group did not obtain control of goods before the goods are sold to end customers. This change in accounting policies resulted in a reduction of revenue by HK$11,416,000 for the six months ended 30 September 2018. Revenue from grain and oil products reported on gross basis for the six months ended 30 September 2017 amounted to HK$9,039,000.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Financial assets at fair value through profit or loss ("**FVTPL**")

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Financial assets at FVTPL (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, trade receivables from related companies, loan receivables, finance lease receivables, factoring receivables, other receivables, amounts due from former subsidiaries, restricted/pledged bank deposits, bank balances and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and finance lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on the amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Prepayment and deposit paid for a life insurance policy HK$'000	Available for sale investment HK$'000	Amortised cost (previously classified as loans and receivables) HK$'000	Financial assets at FVTPL required by HKFRS9 HK$'000	Accumulated losses HK$'000	Non–controlling interests HK$'000
31 March 2018							
Closing balance at 31 March 2018 – HKAS 39		12,215	1,239	990,987	–	(72,228)	77,485
Effects arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investment	*(a)*	–	(1,239)	–	1,239	–	–
From prepayment and deposit paid for a life insurance policy	*(b)*	(12,215)	–	–	12,215	–	–
Remeasurement							
Impairment under ECL model	*(c)*	–	–	(1,900)	–	(969)	(931)
From cost less impairment to fair value	*(a)*	–	–	–	2	1	1
From amortised cost to fair value	*(b)*	–	–	–	(790)	(403)	(387)
Opening balance at 1 April 2018		–	–	989,087	12,666	(73,599)	76,168

(a) Available-for-sale ("**AFS**") investment

At the date of initial application of HKFRS 9, the Group's equity investment of HK$1,239,000 was reclassified from AFS investment to financial assets at FVTPL. The fair value gain of HK$2,000 relating to this investment previously carried at cost less impairment was adjusted to financial assets at FVTPL, accumulated losses and non-controlling interests as at 1 April 2018.

(b) Loans and receivables

Deposit paid for a life insurance policy of HK$12,215,000 previously classified as loans and receivables was reclassified to FVTPL upon the application of HKFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The related fair value loss of HK$790,000 was adjusted to financial assets at FVTPL, accumulated losses and non-controlling interests at 1 April 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and finance lease receivables. To measure the ECL, trade receivables and finance lease receivables are assessed individually for debtors with significant balances and/or collectively using groupings based on shared risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of restricted deposits, pledge bank deposits, bank balances, other receivables, amounts due from former subsidiaries, loan receivables and factoring receivables are measured on 12m ECL basis since there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

As at 1 April 2018, the additional credit loss allowance of HK$1,900,000 has been recognised against accumulated losses and non-controlling interests. The additional loss allowance is charged against trade receivables.

Loss allowance for trade receivables at amortised cost as at 31 March 2018 reconciles to the opening loss allowance as at 1 April 2018 is as follows:

	Trade receivables *HKD'000*
At 31 March 2018 – HKAS 39	567
Amount remeasured through opening accumulated losses	1,900
At 1 April 2018	2,467

Except as described above, the application of amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 March 2018 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 April 2018 (Restated) *HK$'000*
Non-current assets				
Available-for-sale investment	1,239	–	(1,239)	–
Financial assets at FVTPL	–	–	12,666	12,666
Prepayment and deposit paid for a life insurance policy	12,215	–	(12,215)	–
Others with no adjustments	4,067,054	–	–	4,067,054
	4,080,508	–	(788)	4,079,720
Current assets				
Trade receivables	100,546	–	(1,900)	98,646
Other receivables, deposits and prepayments	37,647	872	–	38,519
Inventories	872	(872)	–	–
Others with no adjustments	932,381	–	–	932,381
	1,071,446	–	(1,900)	1,069,546
Current liabilities				
Receipts in advance	46,147	(35,414)	–	10,733
Other payables and accruals	76,471	7,792	–	84,263
Contract liabilities	–	27,622	–	27,622
Others with no adjustments	1,060,588	–	–	1,060,588
	1,183,206	–	–	1,183,206
Net current liabilities	(111,760)	–	(1,900)	(113,660)
Total assets less current liabilities	3,968,748	–	(2,688)	3,966,060
Non-current liabilities				
Receipts in advance	24,026	(14,339)	–	9,687
Contract liabilities	–	14,339	–	14,339
Others with no adjustments	2,093,293	–	–	2,093,293
	2,117,319	–	–	2,117,319
Net assets	1,851,429	–	(2,688)	1,848,741
Capital and reserves				
Share capital	213,662	–	–	213,662
Reserves	1,560,282	–	(1,371)	1,558,911
Equity attributable to owners of the Company	1,773,944	–	(1,371)	1,772,573
Non-controlling interests	77,485	–	(1,317)	76,168
Total equity	1,851,429	–	(2,688)	1,848,741

3A. REVENUE

	Six months ended 30.9.2018 *HK$'000* (unaudited)
Disaggregation of revenue	
Types of goods and services:	
Revenue from international trading	
– grain and oil products	118
– electronic components	738,175
Revenue from property management services	39,789
Revenue from financing guarantee services	9,134
Revenue from financial advisory services	14,892
Revenue from logistics services	231
Total revenue from contracts with customers	802,339
Add:	
rental income under HKAS 17	13,184
interest income under HKFRS 9 and HKAS 17	23,613
Total revenue	839,136
Geographical information:	
Hong Kong and Macau	758,697
The People's Republic of China ("**PRC**")	80,439
Total	839,136
Timing of revenue recognition:	
A point in time	753,185
Over time	49,154
Total	802,339

3A. REVENUE (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 September 2018			
	Revenue disclosed in segment information *HK$'000* (unaudited)	Adjustment of rental income *HK$'000* (unaudited)	Adjustment of interest income *HK$'000* (unaudited)	Revenue from contracts with customers *HK$'000* (unaudited)
International trading	738,293	–	–	738,293
Property investment	52,973	(13,184)	–	39,789
Financing guarantee services	9,134	–	–	9,134
Finance lease services	15,138	–	(15,138)	–
Financial advisory services	14,892	–	–	14,892
Logistics services	231	–	–	231
Revenue for reportable segment	830,661	(13,184)	(15,138)	802,339
Unallocated revenue	8,475	–	(8,475)	–
Total	839,136	(13,184)	(23,613)	802,339

3B. 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) International trading – trading of consumer goods and electronic components

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

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

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

(v) Financial advisory services – provision of financial advisory and asset management services

(vi) Logistics services – provision of logistics services

3B. SEGMENT INFORMATION (Continued)

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

Money lending and factoring businesses are not separately reviewed by the CODM and therefore they are not separately presented. During the six months ended 30 September 2018, since revenue from interior decoration work business is no longer separately reviewed by the CODM and therefore it is not separately presented. Revenue from these businesses is presented as unallocated revenue and comparative figures have been restated.

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

	Six months ended 30.9.2018		Six months ended 30.9.2017	
	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) (restated)	(unaudited) (restated)
International trading	**738,293**	**19,412**	405,563	9,280
Property investment	**52,973**	**113,395**	42,407	104,185
Financing guarantee services	**9,134**	**5,803**	8,305	4,672
Finance lease services	**15,138**	**12,286**	349	(1,592)
Financial advisory services	**14,892**	**(15,309)**	–	–
Logistics services	**231**	**(212)**	426	(1,233)
Revenue and result for reportable segment	**830,661**	**135,375**	457,050	115,312
Unallocated revenue	**8,475**		8,503	
Total	**839,136**		465,553	
Unallocated revenue		**8,475**		8,503
Unallocated other income, gains and losses		**(13,737)**		32,245
Equity-settled share-based payments		**(130)**		(751)
Finance costs		**(99,252)**		(69,362)
Loss arising from acquisition of a subsidiary		**–**		(101,654)
Unallocated gain on fair value change of investment properties		**74,635**		22,245
Gain on fair value change of the derivative components of convertible bonds		**–**		121
Unallocated corporate expenses		**(32,715)**		(31,565)
Profit (loss) before taxation		**72,651**		(24,906)

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 acquisition of a subsidiary, gain on fair value change of the derivative components of convertible bonds, 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.

4. FINANCE COSTS

	Six months ended 30.9.2018 HK$'000 (unaudited)	30.9.2017 HK$'000 (unaudited)
Interest on bank and other borrowings	**50,189**	31,639
Effective interest expense on 3.0% convertible bonds	**3,329**	18,924
Effective interest expense on 10.0% convertible bonds	**–**	10,609
Effective interest expense on 9.0% coupon bonds	**21,159**	6,551
Effective interest expense on 7.5% coupon bonds	**–**	8,312
Effective interest expense on 12.0% coupon bonds	**7,771**	–
Imputed interest expense from amounts due to former subsidiaries	**566**	497
Imputed interest expense from amounts due to related companies	**16,537**	3,921
Imputed interest expense from obligation arising from put option to non-controlling shareholders	**5,470**	–
Interest on finance leases	**25**	48
Total finance costs	**105,046**	80,501
Less: Amount capitalised in investment properties under construction	**(5,794)**	(11,139)
	99,252	69,362

5. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 30.9.2018 HK$'000 (unaudited)	30.9.2017 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**1,717**	1,378
Equity-settled share-based payments *(Note)*	**197**	1,051
Reversal of bad and doubtful debts, net	**(208)**	(366)
Interest income included in other income	**(4,446)**	(3,847)
Imputed interest income from amounts due from former subsidiaries	**(1,050)**	(921)
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)

Note: Amount included equity-settled share-based payments to consultants of HK$26,000 (six months ended 30 September 2017: HK$243,000) in connection with the services provided by the consultants who solely rendered services and reported their duties to the Group during 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	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax expense:		
Hong Kong	**–**	(6)
PRC	**(2,142)**	(1,479)
	(2,142)	(1,485)
Deferred tax	**(29,677)**	(15,384)
Income tax expense	**(31,819)**	(16,869)

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. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.9.2018	30.9.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**39,211**	(75,865)

Number of shares

	Six months ended	
	30.9.2018	30.9.2017
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,268,298**	678,098

7. EARNINGS (LOSS) PER SHARE (Continued)

During the six months ended 30 September 2018, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price of shares for the period and the conversion of the outstanding 3.0% convertible bonds during the period as they would result in increase in earnings per share.

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.

8. DIVIDENDS

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

9. TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED COMPANIES, LOAN RECEIVABLES, FINANCE LEASE RECEIVABLES AND FACTORING 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:

	30.9.2018 ***HK$'000*** **(unaudited)**	31.3.2018 *HK$'000* (audited)
0 – 30 days	**26,012**	86,365
31 – 90 days	**12,920**	10,774
> 90 days	**2,337**	3,138
	41,269	100,277

Trade receivables from related companies

As at 30 September 2018, trade receivables from related companies of HK$364,000 (31 March 2018: HK$269,000) were aged within 30 days based on the invoice date at the end of the reporting period.

The Group granted the same credit term to related companies as those independent customers related to logistics services and financing guarantee services. Such balances are trade in nature, unsecured and non-interest bearing.

Loan receivables

Loan receivables of HK$92,954,000 (31 March 2018: HK$130,986,000) represent the outstanding loan principals and accrued interest from independent third parties which are unsecured and carry interest at fixed rates ranged from 11.0% to 18.0% per annum (31 March 2018: fixed rates ranged from 11.0% to 18.0% per annum). The weighted average effective interest rate of the loan receivables is 15.27% (31 March 2018: 15.60%) per annum. Balances at both 30 September 2018 and 31 March 2018 are repayable within twelve months from the loan advance date.

9. TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED COMPANIES, LOAN RECEIVABLES, FINANCE LEASE RECEIVABLES AND FACTORING RECEIVABLES (Continued)

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$85,994,000 (31 March 2018: HK$76,531,000) represent the present value of the minimum lease payments receivable within one year.

Factoring receivables

Factoring receivables of HK$103,143,000 (31 March 2018: nil) represent the outstanding loan principals, accrued interest and commission receivables from independent third parties which are secured by trade receivables of the counterparties and carry interest at fixed rates ranged from 5.0% to 8.0% per annum (31 March 2018: nil). The weighted average effective interest rate of the factoring receivables is 6.73% (31 March 2018: nil) per annum. Balances as at 30 September 2018 are repayable within twelve months from the loan advance date.

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:

	30.9.2018 ***HK$'000*** **(unaudited)**	**31.3.2018** *HK$'000* (audited)
0 – 30 days	**10,169**	66,611
31 – 90 days	**–**	–
> 90 days	**7,734**	7,734
	17,903	74,345

11. SHARE CAPITAL

	Number of shares	**Nominal value** *HK$'000* (unaudited)
Ordinary shares:		
Authorised		
At 1 April 2017, 31 March 2018 and 30 September 2018 of HK$0.3125 each	2,000,000,000	625,000
Issued and fully paid		
At 1 April 2017 of HK$0.3125 each	670,002,436	209,376
Shares issued on conversion of 3.0% convertible bonds *(Note i)*	13,716,814	4,286
At 31 March 2018 of HK$0.3125 each	683,719,250	213,662
Shares issued on conversion of 3.0% convertible bonds *(Note ii)*	641,150,442	200,360
Placing of shares *(Note iii)*	136,740,000	42,731
At 30 September 2018 of HK$0.3125 each	1,461,609,692	456,753

11. SHARE CAPITAL (Continued)

Note: (i) 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.

(ii) During the six months ended 30 September 2018, 641,150,442 ordinary shares of the Company, with aggregate par value of approximately HK$200,360,000, were issued upon the partial conversion of 3.0% convertible bonds.

(iii) At 27 September 2018, the Group issued 136,740,000 ordinary shares to independent third parties at HK$0.80 per share upon the completion of the placing of new shares. The issued shares will rank *pari passu* in all respects with all other shares in issue.

12. CONTINGENT LIABILITIES

	30.9.2018	**31.3.2018**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Guarantee given to banks in respect of financing guarantee services provided to:		
– Independent third parties	**470,394**	411,816
– Related parties	**10,703**	30,963
	481,097	442,779

13. 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

	30.9.2018	**31.3.2018**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	**11,725**	11,962
In the second to fifth year inclusive	**6,411**	11,769
	18,136	23,731

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.

13. OPERATING LEASE COMMITMENTS (Continued)

As lessor

	30.9.2018 *HK$'000* (unaudited)	31.3.2018 *HK$'000* (audited)
Within one year	**9,552**	3,543

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

14. CAPITAL COMMITMENTS

	30.9.2018 *HK$'000* (unaudited)	31.3.2018 *HK$'000* (audited)
Capital expenditure contracted but not provided for in the condensed consolidated financial statements – construction in connection with the investment properties	**119,644**	176,786

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the Period under review, the Group continued to provide comprehensive financial services in Shaanxi Province and Hong Kong. It is actualised through its multi-licensed financial services vehicles, namely Shaanxi Chinlink Financial Guarantee Limited* (the "**Financial Guarantee Company**"), Chinlink Finance Lease Company Limited* (the "**Finance Lease Company**") and Shaanxi Chinlink Factoring Company Limited*, which are indirect non-wholly-owned subsidiaries of the Company and are licensed and based in Hanzhong or Xi'an of Shaanxi Province. In addition, the Group also develops investment banking through MCM Holdings Limited, an indirect non-wholly-owned subsidiary of the Company, and its two subsidiaries (collectively, "**MCM Group**"). The MCM Group is licensed and regulated by the Securities and Futures Commission of Hong Kong ("**SFC**") under Types 1, 2, 4 and 9, covering dealings in securities and futures contracts, advising on securities and asset management. The Group also participates in international trading and supply chain finance businesses, and invests and operates commercial properties and large-scale trade and logistics park in Shaanxi Province.

For the Period, the Group again recorded a significant increase in total revenue, largely attributable to the substantial growth in its international trading business. The Group's other revenue contributing segments, financing guarantee services and property investment, both recorded positive revenue growth as compared with the same period of the previous year (the "**Previous Period**"). New business segments also contributed to the overall increase in revenue. These segments are namely the finance lease services, which began operations in September 2017 and the financial advisory services provided by MCM Group, results of which have been consolidated into Chinlink since November 2017.

SEGMENTAL PERFORMANCE

International Trading Business

For the Period, the Group's international trading business generated HK$738.3 million in revenue, 82.0% increase from HK$405.6 million in the Previous Period. The growth was attributable to the continuing high demand for key electronic components such as NAND flash and DRAM memory, which are widely used in smartphones, tablets, wearables, gaming devices and data storage products. Performance was also aided by the Group's deep knowledge of this particular market and its well established supplier and customer relationships.

* *For identification purpose only*

Financing Guarantee Services Business

For the Period, the Group generated HK$9.1 million in revenue from its financing guarantee services, a slight increase over the Previous Period, while maintaining a high profit margin. On 17 August 2018, Hanzhong City Investment Holdings Group Limited* ("**Hanzhong Investment**"), the investment vehicle controlled by People's Government of Hanzhong Municipality, injected RMB120.0 million to the Financial Guarantee Company, as a result, the Hanzhong Investment and Chinlink Alpha Limited ("**Chinlink Alpha**"), an indirect non-wholly-owned subsidiary of the Company, hold 35.0% and 65.0% equity interest in the Financial Guarantee Company respectively. The total outstanding guarantee amount was RMB387.5 million as of 30 September 2018, a slight increase of RMB65.0 million as compared with 31 March 2018. Overall the Financial Guarantee Company faced headwinds in expanding its portfolio due to the tighter credit policy among Chinese domestic banks. However, the Group believes People's Government of Hanzhong Municipality's participation could help it grow its client base and earn the support from local banks.

Finance Lease Services Business

The Finance Lease Company is held as 62.5% by the Group and 37.5% by Zhong Jinlv Investment Holding Company Limited* ("**Zhong Jinlv**"), a subsidiary of a state-owned enterprise ("**SOE**"), namely Shaanxi Tourism Group Company Limited*. Since its formation in September 2017, the Finance Lease Company has become a key revenue contributor, generating HK$15.1 million in revenue during the Period. Total outstanding lease balance as of 30 September 2018 was HK$232.5 million. Clients included a diversified mix of education, hardware and machinery manufacturing, industrial chemical, coal mining and gas transmission services industries.

Property Investment Business

For the Period, income from the Group's property investment came from Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the "**Commercial Complex**") in Xi'an. The rental and management fees generated by the Commercial Complex amounting to HK$53.0 million, representing an increase of 25.0% from HK$42.4 million in the Previous Period, were major recurring income contributors. The Commercial Complex's high quality service and successful marketing campaigns helped it maintain a high occupancy rate of about 97.6% by the end of the Period.

* *For identification purpose only*

Financial Advisory Services Business

For the Period, MCM Group generated HK$14.9 million revenue in the forms of commission and management fees. MCM Group's core businesses include financial advisory and asset management licensed under types 1, 2, 4 and 9, and regulated by the SFC. MCM Group experienced an exciting year by expanding significantly and closing significant deals. It fully utilised the client's relationship, and poised well for 2019 and beyond.

In the financial advisory business, MCM Group raised close to US$80.0 million for the Period, for clients in Europe, Asia, the United States and elsewhere. MCM Group's presence reached regions such as Australia, Mexico, Israel and elsewhere as it worked actively with companies and investors, and it also established partnerships in Korea, Mexico and the United Kingdom.

In its asset management business, MCM Group recruited new talents and raised over US$60.0 million in assets under management, as well as participated in landmark transactions like the pre-IPO placement of Xiaomi and investments into Da-Jiang Innovations and Grab.

Additionally, MCM Group invested in the equity markets and listing businesses to serve local Chinese companies seeking listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or international markets.

Logistics Services Business

For the Period, the Group generated HK$0.2 million from logistics services. The logistics services segment is ancillary to the Group's international trading and financial services. The segment therefore operated in a minimal scale.

FINANCIAL REVIEW

Profitability Analysis

For the Period, the Group's unaudited consolidated revenue was HK$839.1 million, reflecting a significant increase of 80.2% from HK$465.6 million in the Previous Period. Revenue of the Group comprised of: international trading of HK$738.3 million (Previous Period: HK$405.6 million), property investment of HK$53.0 million (Previous Period: HK$42.4 million), finance lease services of HK$15.1 million (Previous Period: HK$0.3 million), financial advisory services of HK$14.9 million (Previous Period: Nil), financing guarantee services of HK$9.1 million (Previous Period: HK$8.3 million), logistics services of HK$0.2 million (Previous Period: HK$0.4 million) and other revenue of HK$8.5 million (Previous Period: HK$8.6 million).

Gross profit for the Period increased significantly to HK$104.3 million, up 77.4% from HK$58.8 million in the Previous Period, while gross profit margin decreased slightly to 12.4% from 12.6% in the Previous Period.

The increase in both overall revenue and gross profit was mainly due to (i) a surge in contribution from international trading business; (ii) an increase in revenue from finance lease business and financial advisory services business which commenced contribution to the Group since the second half of last financial year; and (iii) an increase in revenue generated from property investment business as there was a noticeable increment in per-unit rental and building management fee recorded by the Commercial Complex during the Period.

Other income, gains and losses recorded a loss of HK$13.5 million (Previous Period: a gain of HK$32.7 million) for the Period, mainly attributable to the exchange loss arising from depreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HK$**") during the Period.

Gain on fair value change of investment properties amounted to HK$154.9 million (Previous Period: HK$105.5 million) for the Period. It was mainly attributable to a fair value change of the Commercial Complex, the Commercial Building (as defined below) and Chinlink•Worldport (as defined below).

Administrative expenses amounted to HK$64.5 million for the Period, representing an increase of HK$19.7 million comparing with HK$44.8 million in Previous Period. The increase was mainly due to the business expansion of the Group, for instance, through acquisition of MCM Group.

Finance costs amounted to HK$99.3 million for the Period, representing a significant increase of HK$29.9 million as compared with HK$69.4 million in the Previous Period. The increase was mainly due to (i) the non-cash imputed interest expenses of HK$22.0 million (Previous Period: HK$3.9 million) in total arising from the non-interest bearing loan from related companies and an obligation under a put option granted to a non-controlling shareholder of a non-wholly-owned subsidiary for the Period; (ii) interest in relation to 12.0% coupon bonds, 9.0% coupon bonds ("**9% Coupon Bonds**") with principal amounts of HK$200.0 million and HK$150.0 million, which were issued in December 2017, July 2017 and August 2017 respectively; and (iii) interest related to a long-term loan of USD41.0 million drawn down during the Period.

In respect of goodwill arising from the acquisition of MCM Group, after taking into accounts of the uncertainty of the capital market impacted by China-US trade war which emerged in May 2018, an impairment of HK$5.5 million was made for the Period after thorough consideration.

Despite the increase in finance costs and administrative expenses during the course of business expansion and the impairment of goodwill, the Group managed to make a profit for the Period of HK$40.8 million, primarily owing to the increase in revenue and gross profit, and a significant gain on fair value change of investment properties due to the steady growth of real estate market, especially in Xi'an City and Hanzhong City of Shaanxi Province, the PRC. For the Previous Period, the Group recorded a loss of HK$41.8 million mainly due to a one-off non-cash loss arising from the valuation of 3.0% Convertible Bonds (as defined below) issued as consideration for acquisition of subsidiaries and the associated shareholder's loan.

Liquidity and Financial Resources

As at 30 September 2018, the bank balances and cash, pledged bank deposits and restricted deposits amounted to HK$549.7 million in total (31 March 2018: HK$703.6 million), representing a decrease of HK$153.9 million from that of 31 March 2018. The decrease was mainly due to repayment of term loans during the Period.

As at 30 September 2018, the bank and other borrowings of the Group which were mainly denominated in HK$, RMB and United States dollars ("**US$**") amounted to HK$1,526.2 million (31 March 2018: HK$1,095.7 million), representing an increase of HK$430.5 million from that of 31 March 2018, of which HK$935.7 million and HK$590.5 million were repayable within one year and two to five years respectively. The increase was mainly due to a secured 2-year loan facility of US$41.0 million with interest rate 10% per annum being drawn down for refinancing certain loan granted by a related company, for the purpose of acquisition of non-controlling interest in certain subsidiaries which hold the Commercial Complex.

During the Period, 3.0% convertible bonds ("**3.0% Convertible Bonds**") with principal amount of HK$362.25 million were fully converted to the shares of the Company. The carrying amount of such 3.0% Convertible Bonds as at the conversion date amounted to HK$287.9 million, together with the relevant convertible bonds equity reserve of HK$317.4 million and deferred tax liabilities of HK$12.7 million were capitalised to share capital or share premium of the Company.

As at 30 September 2018, the Group had net current liabilities of HK$708.1 million (31 March 2018: HK$111.8 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was 0.57 (31 March 2018: 0.91). The setback in the current ratio of the Group was mainly attributable to the significant increase in current liabilities as a result of reclassification of certain liabilities which were non-current liabilities as at 31 March 2018 as current as they will be due within twelve months after 30 September 2018. Such liabilities were 9.0% Coupon Bonds and loan from Industrial and Commercial Bank of China (Asia) Limited amounted to HK$277.5 million as at 31 March 2018.

Share Capital

As at 30 September 2018, the authorised share capital of the Company was HK$625.0 million (31 March 2018: HK$625.0 million). There was no change in the authorised share capital of the Company during the Period.

As at 30 September 2018, the number of issued shares of the Company was 1,461,609,692 (31 March 2018: 683,719,250).

On 18 April 2018, an aggregate principal amount of HK$362.25 million of 3.0% Convertible Bonds were fully converted into 641,150,442 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 amounting to HK$287.9 million, together with the relevant convertible bonds equity reserve of HK$317.4 million and deferred tax liabilities of HK$12.7 million, were capitalised to share capital or share premium of the Company. On 27 September 2018, an aggregate of 136,740,000 placing shares were allotted and issued under general mandate to not less than six placees who are independent from the Company at the placing price of HK$0.80 per placing share in accordance with the terms of the placing agreement entered into by the parties on 12 September 2018. The net proceeds from the placing amounted to approximately HK$106 million and was fully utilised for repayment of debts of the Group.

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

Deemed Disposal Transaction

On 1 March 2017 and 26 April 2017, Chinlink Alpha and 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**"), respectively, in relation to the possible capital injection of RMB100.0 million (equivalent to approximately HK$125.0 million) into the Financial Guarantee Company. 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 Hanzhong Investment and therefore the Co-operation Agreement 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. In August 2018, Hanzhong Investment has fully injected capital of RMB120.0 million to the Financial Guarantee Company and the shareholding structure of the Financial Guarantee Company is 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 remains 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 transaction were set out in the announcements of the Company dated 1 March 2017, 26 April 2017 and 17 May 2018 respectively.

Gearing Ratio

The Group's gearing ratio as at 30 September 2018 was 0.59 (31 March 2018: 0.64) which was calculated based on the Group's total liabilities of HK$2,901.2 million (31 March 2018: HK$3,300.5 million) and the Group's total assets of HK$4,923.4 million (31 March 2018: HK$5,152.0 million).

Foreign Currency Exposure

The Group's revenue and expenses were mainly denominated in HK$, RMB and US$. The pledged bank deposits were denominated in RMB, US$ 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$. During the Period, the exchange rate of RMB to HK$ depreciated 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 12 of this announcement, the Group did not have any significant contingent liabilities.

As at 30 September 2018, the Group had pledged bank deposits of HK$447.5 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$3,505.6 million to secure obligations under finance leases and banking facilities.

Capital Commitments

As at 30 September 2018, the Group had capital commitments contracted but not provided for amounting to HK$119.6 million in respect of the development of Chinlink•Worldport and Commercial Building. Details of the commitments are set out in note 14 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

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 2018, the Group had 50 employees in Hong Kong and 274 employees in China (31 March 2018: 50 employees in Hong Kong and 261 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

Like any other corporations operating in China and Hong Kong with access to the global market, the Group is not immune to the unfavourable environment caused by US-China trade tensions, hiking interest rate and tightening liquidity, as well as the depreciation of RMB, etc.

The US-China trade war has been heated up for few months, but the Group is cautiously optimistic these unfavourable conditions will not cause very significant impact to its businesses. The Group and its customers are not on the tariff list to date. The Group's electronic component trading business is still going strong, with the components being widely used in high-tech digital electronics like smartphone, computer devices and data storage. Such products are dependent on a highly integrated global supply chain ecosystem, and it is difficult to impose any punitive duty simply based on the final products' manufacturing origin. Nevertheless, as a prudent measure, the Group is increasing its diversification of trading products.

Still, the unfavourable capital market condition is a cause of concern. The Group has taken measures over the past few years to reduce its reliance on high cost unsecured fixed rate bonds, by shifting to more floating interbank offered rate base bank financings secured by the Group's investment property portfolio supported by recurrent incomes and strong capital appreciation.

Shaanxi Province, with Xi'an in particular, remains as the Group's China business base of operation. Xi'an economic momentum remains robust with an 8.2% GDP gain in the first half of 2018. Due to its strategic importance in the Belt and Road Initiative and its spearhead position in the development of China's inland economy, combined with an abundant supply of highly educated and skilled labour, competitive operating costs, a business-friendly investment environment and favourable government policies, Xi'an is able to attract large multi-national and Chinese corporates that seek to set up research and development centres, manufacturing bases, logistics and distribution centres, and regional headquarters there. According to the People's Government of Xi'an Municipality, over 170 of Fortune Global 500 companies including leading Chinese companies like Alibaba, Tencent and JD, have set up in Xi'an. Additionally, the Central People's Government of the PRC has recently introduced a host of policies and aimed at ensuring sufficient liquidity in the financial system to help resolve the financing difficulties of non-state small and medium-sized enterprises ("**SMEs**"). As such, Chinese banks are now required to adjust their asset allocation towards SMEs. This business-friendly environment combined with recent stimulus programs will undoubtedly benefit to the Group's expansion of its financing guarantee, finance lease, factoring which started its operation in September 2018, supply chain finance businesses and other areas that also serve the same SMEs customer base.

Apart from the China market, MCM Group will focus on furthering footprint in Europe, building on its headquarters in London and further bridging the region with Asia, where the Group sees significant opportunities. The asset management business which has ambitious plans across the private and public equities asset classes will be a growth driver. The last important growth driver of MCM Group will come from MCM Group's application for a local private equity license in China, which would be granted and regulated by the Asset Management Association of China. The application is in process and the Group expects the new business will expand MCM Group's product offerings and capabilities in China.

Regarding its property investment segment, the Group expects new revenue streams in the form of rental and management fees from Chinlink•Worldport Integrated Logistics Park ("**Chinlink•Worldport**"), located in the Hanzhong Baohe Logistics Park in Hanzhong, and a construction currently in progress for a prime commercial and office building situated in Xi'an with total gross floor area of approximately 55,491 square metres (the "**Commercial Building**") in the forthcoming year.

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 as set out in Appendix 10 of 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, 26 November 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.