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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 2021**

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 2021 (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 2021

		Six months ended 30 September	
	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3A		
Goods and services		79,711	98,804
Rental		14,663	17,181
Other services		1,619	–
Total revenue		95,993	115,985
Cost of sales		(29,817)	(41,402)
Gross profit		66,176	74,583

* For identification purpose only

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

For the six months ended 30 September 2021

		Six months ended 30 September	
	<i>Notes</i>	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Other income, gains and losses		9	26,792
Gain on disposal of a subsidiary, net		–	5,200
Gain on fair value change of investment properties		34,241	32,036
Gain on fair value change of put option derivative		–	3,091
Allowance under expected credit loss model, net of reversal		(5,495)	102
Share of profit of an associate		9,688	3,841
Selling and distribution costs		(3,679)	(2,968)
Administrative expenses		(52,071)	(48,711)
Finance costs	4	(139,701)	(123,350)
Loss before tax	5	(90,832)	(29,384)
Income tax expense	6	(8,479)	(8,356)
Loss for the period		<u>(99,311)</u>	<u>(37,740)</u>
Other comprehensive (expense)/income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		53,856	101,312
Share of exchange difference of an investment in an associate		(4,054)	2,991
Total comprehensive (expense)/income for the period		<u>(49,509)</u>	<u>66,563</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(103,724)	(44,997)
Non-controlling interests		4,413	7,257
		<u>(99,311)</u>	<u>(37,740)</u>

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

For the six months ended 30 September 2021

		Six months ended 30 September	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(56,539)	52,719
Non-controlling interests		7,030	13,844
		<u>(49,509)</u>	<u>66,563</u>
		HKcents	(Restated) HKcents
		(unaudited)	(unaudited)
Loss per share attributable to owners of the Company			
– Basic	7	(8.87)	(15.39)
– Diluted		(8.87)	(15.39)
		<u>(8.87)</u>	<u>(15.39)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	<i>Notes</i>	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		178,975	180,967
Right-of-use assets		12,120	16,418
Investment properties		4,148,095	4,336,843
Goodwill		17,237	17,237
Interest in an associate		86,907	84,921
Deposit paid for land auction		10,807	10,637
Financial assets at fair value through profit or loss		23,826	24,211
Deposits		3,048	3,042
		4,481,015	4,674,276
Current assets			
Properties under development for sale		414,868	–
Trade receivables	<i>9</i>	31,632	33,821
Trade receivables from related companies	<i>9</i>	2,454	5,888
Loan receivables	<i>9</i>	184,624	177,102
Factoring receivables	<i>9</i>	42,671	109,017
Other receivables, deposits and prepayments		57,036	47,332
Pledged bank deposits		213,226	207,626
Bank balances and cash		40,387	29,165
		986,898	609,951
Current liabilities			
Trade payables	<i>10</i>	1,188	–
Other payables and accruals		130,657	99,807
Loans from staff		27,433	26,849
Construction costs accruals		218,788	195,090
Receipts in advance		15,876	17,303
Lease liabilities		109,171	8,379
Contract liabilities		33,362	33,820
Deposits received from tenants and customers		39,976	33,135
Deferred income		7,313	8,044
Financial guarantee contracts		10,578	5,644
Tax payable		3,441	4,235
Bank and other borrowings	<i>11</i>	1,015,256	942,461
6.5% coupon bonds	<i>12</i>	120,617	231,840
13.0% coupon bonds	<i>12</i>	252,626	236,987
		1,986,282	1,843,594

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 September 2021

	<i>Notes</i>	30.9.2021 HK\$'000 (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Net current liabilities		<u>(999,384)</u>	<u>(1,233,643)</u>
Total assets less current liabilities		<u>3,481,631</u>	<u>3,440,633</u>
Non-current liabilities			
Deferred income		8,146	11,233
Amounts due to directors		27,653	39,690
Construction costs accruals		53,748	52,902
Lease liabilities		5,704	8,378
Bank and other borrowings	11	677,267	606,883
Amounts due to related companies		229,765	202,501
Deferred tax liabilities		<u>355,163</u>	<u>345,352</u>
		<u>1,357,446</u>	<u>1,266,939</u>
		<u>2,124,185</u>	<u>2,173,694</u>
Capital and reserves			
Share capital	13	11,693	11,693
Reserves		<u>2,048,510</u>	<u>2,105,049</u>
Equity attributable to owners of the Company		<u>2,060,203</u>	2,116,742
Non-controlling interests		<u>63,982</u>	<u>56,952</u>
		<u>2,124,185</u>	<u>2,173,694</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2021 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The presentation currency of the condensed consolidated financial statements is Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

Going concern basis

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the facts that, the Group incurred a net loss of approximately HK\$99,311,000 for the six months ended 30 September 2021 and, as of 30 September 2021, the Group had net current liabilities of approximately HK\$999,384,000, while its bank balances and cash amounted to approximately HK\$40,387,000 only as at 30 September 2021. In addition, the Group had outstanding borrowings of approximately HK\$1,015,256,000 which were due for repayment or renewal in the next twelve months after 30 September 2021. Further, the Group has defaulted in repayment of interest and principal of bonds and interest and principal of borrowings amounting to approximately HK\$252,626,000 and HK\$426,887,000 respectively during the six months ended 30 September 2021 which outstanding amounts of bonds and borrowings of approximately HK\$252,626,000 and HK\$426,887,000 respectively as at 30 September 2021 remain outstanding.

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

- (i) the Group is seeking to accelerate the pre-sales of the service apartments of the Phase Two Development. Overall, the Group gradually launched pre-sales of properties for the Phase Two Development starting from the end of second quarter of 2021. The Group expects there will be proceeds from pre-sale of properties from the third quarter of 2021 onwards. The proceeds arising therefrom will be used for settling the construction fees, repayment of existing loan facilities and general working capital;
- (ii) the Company has actively negotiated with banks and financial institutions to secure the renewals of the Group’s bonds and borrowings to meet its liabilities when fall due:
 - (a) subsequent to the end of the reporting period, the Group has obtained a consent from financial institutions for certain bonds and borrowings with outstanding amounts of approximately HK\$252,626,000 and HK\$375,198,000 respectively as at 30 September 2021 of which the repayment of interest and principal were past due and in default as at 30 September 2021;
 - (b) the Group has requested for extending the repayment of the outstanding borrowings of approximately HK\$51,689,000 for twelve months from maturity date in September 2021. Despite that the directors of the Company are confident in further extend the repayment of the principal of the other borrowings taking into consideration long term relation with the lender. However, the proposed terms were subject to the final approval by the lender as at the date of these condensed consolidated financial statements.
- (iii) the Group has received a consent from Mr. Li Weibin (“**Mr. Li**”), the ultimate controlling shareholder and an executive Director of the Company, that he will provide continuing financial support to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, and agreed not to demand repayment of any of the amounts due to him by the Group in the next twelve months from the date of approval for issue of these condensed consolidated financial statements subsequent to the end of the reporting period;

1. BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

- (iv) the Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations;
- (v) the Group may consider to dispose non-core business and/or financial assets if required; and
- (vi) the Group is currently soliciting different source of funds, including additional banking facilities to further support the Group's funding needs should the aforesaid operating cash inflows turned out to be less than forecasted.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. On this basis, the condensed consolidated financial statements have been prepared on a going concern basis. However, should the above refinancing plan not be able to implement successfully, or the existing facilities provided by Mr. Li are no longer available to the Group, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

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 and amendments to 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2021.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied a number of amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, Interest Rate Benchmark Reform – Phase 2
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3A. REVENUE

Disaggregation of revenue from contract with customers

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Types of goods and services:		
Revenue from property management services	30,567	32,590
Revenue from financial guarantee services and other financial services	18,487	18,793
Revenue from financial advisory services		
– financial advisory services	28,114	45,012
– asset management services	2,543	2,409
	<hr/>	<hr/>
Total revenue from contracts with customers	79,711	98,804
	<hr/>	<hr/>
Add:		
Rental income under HKFRS 16	14,663	17,181
Other services income	1,619	–
	<hr/>	<hr/>
Total revenue	95,993	115,985
	<hr/> <hr/>	<hr/> <hr/>
Geographical markets:		
Hong Kong and Macau	34,986	51,749
PRC	44,725	47,055
	<hr/>	<hr/>
Total	79,711	98,804
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition:		
A point in time	28,114	45,012
Over time	51,597	53,792
	<hr/>	<hr/>
Total	79,711	98,804
	<hr/> <hr/>	<hr/> <hr/>

3A. REVENUE (Continued)

Disaggregation of revenue from contract with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the six months ended 30 September 2021 and 2020.

	For the six months ended 30 September 2021			
Segment	Revenue disclosed in segment information <i>HK\$'000</i> (unaudited)	Adjustment of rental income <i>HK\$'000</i> (unaudited)	Adjustment of interest income <i>HK\$'000</i> (unaudited)	Revenue from contracts with customers <i>HK\$'000</i> (unaudited)
Property investment	45,230	(14,663)	–	30,567
Financial guarantee services and other financial services	18,487	–	–	18,487
Financial advisory services	30,657	–	–	30,657
Revenue for reportable segment	94,374	(14,663)	–	79,711
Unallocated revenue	1,619	–	(1,619)	–
Total	<u>95,993</u>	<u>(14,663)</u>	<u>(1,619)</u>	<u>79,711</u>

	For the six months ended 30 September 2020			
Segment	Revenue disclosed in segment information <i>HK\$'000</i> (unaudited)	Adjustment of rental income <i>HK\$'000</i> (unaudited)	Adjustment of interest income <i>HK\$'000</i> (unaudited)	Revenue from contracts with customers <i>HK\$'000</i> (unaudited)
Property investment	49,771	(17,181)	–	32,590
Financial guarantee services and other financial services	18,793	–	–	18,793
Financial advisory services	47,421	–	–	47,421
Revenue for reportable segment	115,985	(17,181)	–	98,804
Unallocated revenue	–	–	–	–
Total	<u>115,985</u>	<u>(17,181)</u>	<u>–</u>	<u>98,804</u>

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.

In the current period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. In the prior period, the Group’s reportable segments included “international trading”, “property investment”, “financial guarantee services”, “financial advisory services” and “logistics and other services” segments. In accordance with the way in which information is now reported internally to the CODM for purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the financial information of the Group’s “financial guarantee services” segment is now reported within the “financial guarantee services and other financial services” segment while “international trading” and “logistics and other services” segments are no longer a part of an operating segment. Prior period’s segment disclosures have been represented to conform with the current period’s representation.

The Group’s operating and reportable segments under HKFRS 8 “Operating segments” are as follows:

- (i) Property investment – leasing of property and provision of property management services
- (ii) Financial guarantee services and other financial services – provision of corporate financial guarantee services and related consultancy services and other financial services
- (iii) Financial advisory services – provision of financial advisory and asset management services

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

Money lending and factoring businesses are not separately reviewed by the CODM and therefore they are not separately presented.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

3B. SEGMENT INFORMATION (Continued)

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

	Six months ended 30.9.2021		Six months ended 30.9.2020	
	Segment revenue	Segment profit (loss) for the period	Segment revenue (restated)	Segment profit (loss) for the period (restated)
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Property investment	45,230	41,059	49,771	57,355
Financial guarantee services and other financial services	18,487	7,160	18,793	13,741
Financial advisory services	30,657	5,475	47,421	4,275
Revenue and result for reportable segment	94,374	53,694	115,985	75,371
Unallocated revenue	1,619		–	
Total	<u>95,993</u>		<u>115,985</u>	
Unallocated revenue		1,619		–
Unallocated income, gains and losses		9		26,792
Unallocated allowance under expected credit loss model, net of reversal		19		17
Unallocated gain on fair value change of investment properties		10,002		6,762
Unallocated gain on fair value change in put option derivative		–		3,091
Share of profit of an associate		9,688		3,841
Unallocated corporate expenses		(26,162)		(21,908)
Finance costs		(139,701)		(123,350)
Loss before tax		<u>(90,832)</u>		<u>(29,384)</u>

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, unallocated allowance under expected credit loss model, net of reversal, gain on fair value change of investment properties (except for gain on fair value change of certain investment properties) and put option derivative, share of profit of an associate, other income, gains and losses, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank and other borrowings	95,039	78,340
Interest expenses on amount due to a director	1,528	–
Effective interest expense on 9.0% coupon bonds	–	3,625
Effective interest expense on 6.5% coupon bonds	9,680	10,029
Effective interest expense on 13.0% coupon bonds	15,321	15,367
Imputed interest expense from amount due to a director	801	–
Imputed interest expense from other borrowings	10,433	6,057
Imputed interest expense from amounts due to related companies	6,525	9,459
Interest on lease liabilities	374	473
	<u>139,701</u>	<u>123,350</u>
Total finance costs	<u>139,701</u>	<u>123,350</u>

There was no finance cost capitalised arose on the general borrowing pool during the six months ended 30 September 2021 and 2020.

5. LOSS BEFORE TAXATION

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	6,468	2,743
Depreciation of right-of-use assets	4,734	5,488
Interest income included in other income, gains and losses	(2,153)	(2,547)
Net exchange loss/(gain), included in other income, gains and losses	6,762	(3,105)
	<u>6,762</u>	<u>(3,105)</u>

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax expense:		
Hong Kong	–	–
PRC	(1,399)	(2,030)
	<u>(1,399)</u>	<u>(2,030)</u>
Deferred tax	(7,080)	(6,326)
	<u>(8,479)</u>	<u>(8,356)</u>

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

7. LOSS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(103,724)</u>	<u>(44,997)</u>

7. LOSS PER SHARE (Continued)

Number of shares

	Six months ended 30 September	
	2021 '000 (unaudited)	2020 '000 (unaudited) (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,169,288	292,322

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

The denominator for the purpose of calculating basic and diluted loss per share for the period ended 30 September 2020 has been restated to reflect the effect of the share consolidation, capital reduction and rights issue during the period ended 30 September 2021.

During the six months ended 30 September 2021 and 2020, the computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market of shares for years, and it would result in decrease in loss per share.

8. DIVIDEND

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 AND FACTORING RECEIVABLES

Trade receivables

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

	30.9.2021 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (audited)
0 – 30 days	3,493	8,441
31 – 90 days	1,596	2,392
> 90 days	26,543	22,988
	31,632	33,821

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

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

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

9. TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED COMPANY, LOAN RECEIVABLES AND FACTORING RECEIVABLES (Continued)

Trade receivables from related companies

As at 30 September 2021, trade receivables from related companies of HK\$2,454,000 (net the allowance for expected credit losses of HK\$16,000) (31 March 2021: HK\$5,888,000 (net the allowance for expected credit losses of HK\$61,000)) were aged within 30 days based on the invoice date at the end of the reporting period.

Loan receivables

As at 30 September 2021, loan receivables of HK\$184,624,000 (31 March 2021: HK\$177,102,000) represent the outstanding loan principals and accrued interest from independent third parties which are unsecured and carry interest at fixed rates ranged from 7.0% to 18.0% per annum (31 March 2021: 7.0% to 18.0% per annum). The weighted average effective interest rate of the loan receivables is 10.09% (31 March 2021: 10.08%) per annum. Balances at both 30 September 2021 and 31 March 2021 are repayable within twelve months from the loan advance dates.

The Group's loan receivables balances are not past due at 30 September 2021. There is allowance for expected credit losses of approximately HK\$3,759,000 included in the carrying amount of loan receivables as at 30 September 2021 (31 March 2021: HK\$3,548,000).

Factoring receivables

As at 30 September 2021, factoring receivables of HK\$42,671,000 (31 March 2021: HK\$109,017,000) represent the outstanding loan principals and accrued interest from independent third parties which are secured by trade receivables of the counterparties and carry interest at fixed rates ranged from 6.0% to 8.0% per annum (31 March 2021: 5.0% to 8.0%). The weighted average effective interest rate of the factoring receivables is 6.87% (31 March 2021: 6.68%) per annum. The Group's factoring receivables as at 30 September 2021 are repayable within twelve months from the loan advance dates and not past due. There is allowance for expected credit losses of approximately HK\$1,664,000 included in the carrying amount of factoring receivables as at 30 September 2021 (31 March 2021: HK\$2,103,000).

10. TRADE PAYABLES

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

	30.9.2021 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (audited)
0 – 30 days	–	–
31 – 90 days	36	–
> 90 days	1,152	–
	<hr/> 1,188 <hr/>	<hr/> – <hr/>

11. BANK AND OTHER BORROWINGS

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Bank borrowings, secured	662,433	655,615
Other borrowings, secured	377,602	423,119
Other borrowings, unsecured	639,499	457,552
Bank overdraft	12,989	13,058
	<u>1,692,523</u>	<u>1,549,344</u>
Carrying amount of the above borrowings are repayable*		
– Within one year	584,226	523,288
– More than one year, but not exceeding two years	288,765	178,386
– More than two years, but not exceeding five years	180,310	194,233
– More than five years	208,192	234,264
	<u>1,261,493</u>	<u>1,130,171</u>
Carrying amount of the bank and other borrowings that contains a repayable on demand clause (shown under current liabilities)		
– Within one year	431,030	419,173
	<u>431,030</u>	<u>419,173</u>
	1,692,523	1,549,344
Less: Amount due within one year or contains a repayable on demand clause shown under current liabilities	(1,015,256)	(942,461)
Amount shown under non-current liabilities	<u>677,267</u>	<u>606,883</u>

* The amounts due are based on scheduled repayable dates set out in loan agreements.

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank and other borrowings are as follows:

	30.9.2021 (unaudited)	31.3.2021 (audited)
Effective interest rate:		
Fixed-rate borrowings	5.00%–20.00%	4.80%–20.00%
Variable-rate borrowings	2.59%–7.35%	3.58%–7.13%

11. BANK AND OTHER BORROWINGS (Continued)

The Group has bank borrowings and other borrowings of approximately HK\$10,799,000 and approximately HK\$420,231,000 respectively that contains a repayable on demand clause (31 March 2021: approximately HK\$2,469,000 and approximately HK\$416,704,000 respectively), which were included in the current liabilities.

The Group has defaulted in repayment of interest and principal of borrowings amounting to approximately HK\$426,887,000 during the period ended 30 September 2021 which outstanding amounts of borrowings of approximately HK\$426,887,000 as at 30 September 2021 remain outstanding.

12. COUPON BONDS

9.0% Coupon bonds

Pursuant to the placing agreements dated 30 June 2017 and 27 July 2017 respectively, 9.0% coupon bonds with principal amount of HK\$200,000,000, HK\$100,000,000 and HK\$50,000,000 (collectively referred as the “**9.0% Coupon Bonds**”) were issued by the Company at par to the independent parties on 25 July 2017 (the “**Issue Date 1**”), 4 August 2017 (the “**Issue Date 2**”) and 25 August 2017 (the “**Issue Date 3**”) respectively.

The 9.0% Coupon Bonds are denominated in HK\$ and carry interest at 9.0% per annum. Interest is payable annually in arrears.

The 9.0% Coupon Bonds will mature on the second anniversary of the Issue Date, which are 25 July 2019 (the “**Maturity Date 1**”), 4 August 2019 (the “**Maturity Date 2**”) and 25 August 2019 (the “**Maturity Date 3**”) respectively. The Company can redeem the 9.0% Coupon Bonds in whole or in part, at par together with all accrued and unpaid interest calculated at the rate of 9.0% per annum accrued thereon from Issue Date 1, Issue Date 2 and Issue Date 3 respectively and up to the date of redemption less any interest paid by the Company on it by giving not less than 10 business days’ notice to the holder(s) of the 9.0% Coupon Bonds at any time from the Issue Date 1 to the Maturity Date 1 and Issue Date 2 to Maturity Date 2 and Issue Date 3 to Maturity Date 3, respectively.

Transaction costs relating to the 9.0% Coupon Bonds of HK\$21,000,000 were included in the carrying amount of the 9.0% Coupon Bonds. The effective interest rate of the 9.0% Coupon Bonds is 11.90% per annum.

On 25 July 2019, the bondholders consented to roll over part of the 9.0% Coupon Bonds with principal amount of HK\$100,000,000 to 25 July 2020 and all remaining principal amount of HK\$250,000,000 were repaid in August 2019. The effective interest rate of the extended 9.0% Coupon Bonds is 11.90% per annum. Bonds were fully settled during the year ended 31 March 2021.

During the six months ended 30 September 2020, interest charged on the 9.0% Coupon Bonds of HK\$3,625,000 was recognised in profit or loss.

12. COUPON BONDS (Continued)

13.0% Coupon bonds

Pursuant to the subscription agreement dated 1 December 2017, 12.0% coupon bonds with principal amount of USD15,000,000 (the “**12.0% Coupon Bonds**”) were issued by the Company at par to independent third parties on 1 December 2017.

On 5 August 2019, the Company commenced an exchange offer to exchange all of its outstanding 12.0% Coupon Bonds held by the eligible bondholders for a new 13.0% coupon bonds with principal amount of US\$30,000,000 (the “**13.0% Coupon Bonds**”) which will mature on August 2021 (“**Exchange Offer**”).

The Exchange Offer was duly accepted by the eligible bondholders and all outstanding existing 12.0% Coupon Bonds was cancelled on 16 August 2019 and the 13.0% Coupon Bonds have been issued pursuant to the Exchange Offer on the same date. The 13.0% Coupon Bonds are denominated in USD and carry interest at 13.0% per annum. Interest is payable annually in arrears.

The 13.0% Coupon Bonds with an aggregate principal amount of US\$30,000,000 were issued on 16 August 2019 (the “**Issue Date 4**”) pursuant to the Exchange Offer.

The 13.0% Coupon Bonds are denominated in US\$ and carry interest at 13.0% per annum. Interest is repayable semi-annually in arrears.

The 13.0% Coupon Bonds will mature on 30 August 2021 (the “**Maturity Date 4**”).

The effective interest rate of the 13.0% Coupon Bonds is 12.99% per annum.

No early redemption of the 13.0% Coupon Bonds is allowed by the Company except upon the occurrence of certain events or circumstances as set out in the bonds instrument.

The 13.0% Coupon Bonds are secured by equity interests of certain Group’s wholly owned subsidiaries and guaranteed by certain shareholder.

During the six months ended 30 September 2021, interest charged on the 13.0% Coupon Bonds of HK\$15,321,000 (six months end 30 September 2020: HK\$15,367,000) was recognised in profit or loss.

The Group has defaulted in repayment of interest and principal of 13.0% Coupon Bonds amounting to approximately HK\$252,626,000 during the period ended 30 September 2021 which outstanding amounts of 13.0% Coupon Bonds of approximately HK\$252,626,000 as at 30 September 2021 remain outstanding.

6.5% Coupon bonds

Pursuant to the placing agreement dated 30 July 2019, 6.5% coupon bonds with principal amount of HK\$82,500,000, HK\$24,000,000, HK\$61,500,000 and HK\$32,000,000 (collectively referred as the “**2019 First 6.5% Coupon Bonds**”) were issued by the Company at par to the independent parties on 7 August 2019 (the “**Issue Date 5**”), 8 August 2019 (the “**Issue Date 6**”), 19 August 2019 (the “**Issue Date 7**”) and 6 September 2019 (the “**Issue Date 8**”) respectively. Pursuant to the second deed of amendment dated 23 August 2021, the total principal amount of First 6.5% Coupon Bonds shall not exceed HK\$140,000,000, under best effort basis. On 23 August 2021 (the “**Issue Date 9**”) and 31 August 2021 (the “**Issue Date 10**”), the first and second tranche of the First 6.5% Coupon Bonds with principal of HK\$56,300,000 and HK\$3,000,000 (collectively referred as the “**2021 First 6.5% Coupon Bonds**”, with the 2019 First 6.5% Coupon Bonds, collectively the “**First 6.5% Coupon Bonds**”) were issued and the proceeds were used for refinancing the existing borrowings.

The First 6.5% Coupon Bonds are denominated in HK\$ and carry interest at 6.5% per annum. Interest is payable annually in arrears.

12. COUPON BONDS (Continued)

6.5% Coupon bonds (Continued)

The 2019 First 6.5% Coupon Bonds will mature on the first anniversary of the issue dates, which are 7 August 2020 (the “**Maturity Date 5**”), 8 August 2020 (the “**Maturity Date 6**”), 19 August 2020 (the “**Maturity Date 7**”), and 6 September 2020 (the “**Maturity Date 8**”) respectively. The 2021 First 6.5% Coupon Bonds will mature on the first anniversary of the issue dates, which are 23 August 2022 (the “**Maturity Date 9**”) and 31 August 2022 (the “**Maturity Date 10**”), respectively. The Company can redeem the First 6.5% Coupon Bonds in whole or in part, at par together with all accrued and unpaid interest calculated at the rate of 6.5% per annum accrued thereon from Issue Date 5, Issue Date 6, Issue Date 7, Issue Date 8, Issue Date 9 and Issue Date 10 respectively and up to the date of redemption less any interest paid by the Company on it by giving not less than 10 business days’ notice to the holder(s) of the First 6.5% Coupon Bonds at any time from the Issue Date 5 to the Maturity Date 5 and Issue Date 6 to Maturity Date 6 and Issue Date 7 to Maturity Date 7 and Issue Date 8 to Maturity Date 8 and Issue Date 9 to Maturity Date 9 and Issue Date 10 to Maturity Date 10, respectively.

As at 31 March 2021, the 2019 First 6.5% Coupon Bonds were matured, of which HK\$41,500,000 were redeemed by the Company and the remaining principal of HK\$158,500,000 were extended for one year pursuant to the deed of amendment dated 6 August 2020.

As at 30 September 2021, the 2019 First 6.5% Coupon Bonds were matured, of which HK\$91,500,000 were redeemed by the Company and the remaining principal of HK\$67,000,000 were extended for one year pursuant to the second deed of amendment dated 23 August 2021.

The First 6.5% Coupon Bonds are secured by equity interests of certain Group’s wholly owned subsidiaries and guaranteed by certain shareholder.

Transaction costs relating to the First 6.5% Coupon Bonds of HK\$7,578,000 are included in the carrying amount of the First 6.5% Coupon Bonds. The effective interest rate of the First 6.5% Coupon Bonds is 12.50% per annum.

On 23 July 2020, the Company entered into a placing agreement with a placing agent to issue 6.5% coupon bonds (the “**Second 6.5% Coupon Bonds**”, with the First 6.5% Coupon Bonds, collectively the “**6.5% Coupon Bonds**”) with principal amount of up to HK\$100,000,000, under best effort basis.

The Second 6.5% Coupon Bonds are secured by the equity interests of a subsidiary, repayable on the day falling on the first anniversary of the issue date, interest bearing at 6.5% per annum and guaranteed by Mr. Li. As at 4 August 2020 (the “**Issue Date 11**”), the first tranche of the Second 6.5% Coupon Bonds with principal of HK\$66,500,000 were issued and the proceeds were used for refinancing the existing borrowings. The Second 6.5% Coupon Bonds will mature on the first anniversary of the issue dates, which are 4 August 2021. Second 6.5% Coupon Bonds were fully settled during the six months ended 30 September 2021.

Transaction costs relating to the Second 6.5% Coupon Bonds of HK\$1,995,000 are included in the carrying amount of the 6.5% Coupon Bonds. The effective interest rate of the Second 6.5% Coupon Bonds is 9.49% per annum.

During the six months ended 30 September 2021, interest charged on the 6.5% Coupon Bonds of HK\$9,680,000 was recognised in profit or loss.

13. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000 (unaudited)
Ordinary shares:		
Authorised ordinary shares		
At 1 April 2020 of HK\$0.3125 each	2,000,000,000	625,000
Increase in authorised share capital	<u>60,500,000,000</u>	<u>–</u>
At 31 March 2021 and 30 September 2021 of HK\$0.01 each	<u><u>62,500,000,000</u></u>	<u><u>625,000</u></u>
Issued ordinary shares and fully paid		
At 1 April 2020 of HK\$0.3125 each	1,461,609,692	456,753
Share consolidation	(1,169,287,754)	–
Capital reduction	–	(453,830)
Rights issue	<u>876,965,814</u>	<u>8,770</u>
At 31 March 2021 and 30 September 2021 of HK\$0.01 each	<u><u>1,169,287,752</u></u>	<u><u>11,693</u></u>

14. CONTINGENT LIABILITIES

Corporate guarantee

	30.9.2021 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (audited)
Guarantee given to banks in respect of financial guarantee services provided to:		
– Independent third parties	<u><u>461,140</u></u>	<u><u>366,919</u></u>

As at 30 September 2021, financial guarantee contracts of approximately HK\$10,578,000 (31 March 2021: HK\$5,644,000) represent the fair values of the financial guarantee contracts initially recognised less cumulative amortisation at the end of the reporting period. The financial guarantee contracts are measured at the amount of the loss allowance determined in accordance with HKFRS 9.

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 lessor

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Within one year	19,778	18,947
In the second to fifth year, inclusive	14,720	13,314
More than five years	120,726	120,482
	155,224	152,743

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

16. CAPITAL COMMITMENTS

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in connection with the investment properties under construction	28,060	456,224

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period under review, the Group still encountered a very challenging business environment. During the Period, the Group recorded total revenue of HK\$96.0 million, representing a drop of 17.2% compared with the corresponding period last year (the “**Previous Period**”).

The Coronavirus Disease 2019 (“**COVID-19**”) pandemic continues its impact on the business environment in the People’s Republic of China (the “**PRC**” or “**China**”) and Hong Kong. Despite a considerable decrease in new infection cases, both China and Hong Kong still impose very strict control on cross-border travelling, causing lots of inconvenience for normal communication between the Hong Kong and China offices of the Group. Moreover, it largely restricted the Group’s overseas expansion plan and partnership. The situation is further complicated by the ongoing geo-political upheavals between China and the United States of America (the “**US**”). Whereas the business reality has basically returned to normality after the social disturbance since 2019, and the strategic positioning of Hong Kong in the Guangdong-Hong Kong-Macao Greater Bay Area entitles immense opportunities for innovative business that the Group inspired.

Furthermore, the latest development in the China real estate market coupled with new rules on financing restriction to property developers, stringent control on the use of property pre-sale proceeds and the increasing defaults of major developers in both onshore and offshore markets. The overall China real estate market witnessed an unusual declined in first-hand property sales and price drop, this happened at a time when the Group had just launched the pre-sale of the residential apartments under the phase two development (the “**Phase Two Development**”) of Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the “**Commercial Complex**”) project. Also, it affected the Group’s direction to deleverage against the Group’s property portfolio and to focus resources in financial and other innovative services.

* For identification purpose only

SEGMENTAL PERFORMANCE

Property Investment Business

The property investment business generated a total of HK\$45.2 million in revenue in the Period, which comprised of HK\$8.8 million contribution by the Chinlink International Centre (the “**CIC**”) and HK\$36.4 million from the Commercial Complex. It showed a slight drop of 9.1% compared with the Previous Period. CIC started to generate rental and management services incomes from this investment property as a new revenue source for the Group from the second quarter of 2020. Approximately 90.0% of the lettable area has entered into tenancy agreement as of 30 September 2021.

During the Period, as the Commercial Complex was still affected by the disturbance of COVID-19 pandemic, its revenue had recorded a significant drop of 21.4%. The Commercial Complex continued to execute a series of concessionary measures including short term rental allowance and flexible rent-free program for lease renewal to retain the tenants. Nevertheless, the average occupancy rate of the Commercial Complex was 98.0% during the Period, a slight 3.5% increase compared with the Previous Period.

Financial Advisory Services Business

For the Period, MCM Holdings Limited and its subsidiaries (collectively “**MCM Group**”) recorded revenue of HK\$30.7 million in the form of commission and management fees across its core activities of financial advisory and asset management, representing a 35.4% drop against the income of the Previous Period. In fact, incomes of the Previous Period were exceptionally high due to special market situation. The current revenue increased balanced to more normal and sustainable levels. We expect the usual seasonality of a stronger fourth quarter of every year, we also had some events and closings run into the end of 2021. Particularly, a special purpose acquisition company (“**SPAC**”) merger for Grab Holdings Inc., stated in the annual report of the Group for the financial year ended 31 March 2021 initially slated for this summer, was postponed and is expected to complete in the next months. This will be one of the more significant investment exits from MCM Group and will generate significant revenue to MCM Group in the next quarter. COVID-19 travel restrictions continue to have impact on MCM Group’s global deal sourcing, combined with a particularly volatile summer in China and Chinese related markets. The Hang Seng Index is now down over 10.0% year to date, with Chinese onshore markets even further. Although this had caused a disruption in the appetite for cross border investments, it had not curtailed a healthy pipeline in both MCM Group’s financial advisory and asset management businesses. During the Period, MCM Group had also engaged its first mandates for third party fund marketing, leveraging its global relationship network, and strong connections with some of the most prestigious investors in Asia and abroad. MCM Group expected this to further deepen its relationships in the private equity and venture capital arena, key to its sustained growth and positioning in the industry.

In MCM Investment Partners Limited (“**MCMIP**”), the asset management arm of MCM Group, its assets under management averaged around US\$65 million, with an additional US\$35 million for a total of close to US\$100 million in assets under advisory. This was an important period as MCMIP launched three new funds, two investing into specific projects (the first one into the educational technology sector, and the second one into natural resources) along with MCMIP’s first discretionary investment fund. Through a partnership with Emerging Markets Capital (“**EMC**”), MCMIP launched a fund specialising in the metals and mining sector, leveraging the expertise in both mining and investing from EMC along with the fund management, advisory and investor connections from MCM Group. The fund had made several investments already, with the first initial public offering expected in early 2022. Overall, this model will serve as a template for future collaborations, of which a couple are well under way and could add a significant multiple to MCMIP’s assets under management in the year ahead.

Financial Guarantee Services and Other Financial Services Businesses

For the Period, the Group generated HK\$7.1 million in revenue from the financial guarantee services and HK\$11.4 million from other financial services which include interest income from money lending in Hong Kong under Money Lender Licence, factoring and entrusted loan businesses in the PRC. The revenue from financial guarantee services showed a drop of 27.2% compared with the Previous Period. The total outstanding guaranteed amount was RMB383.6 million as of 30 September 2021 (Previous Period: RMB366.0 million).

FINANCIAL REVIEW

Profitability Analysis

For the Period, the Group’s revenue was HK\$96.0 million, reflecting a decrease of 17.2% from HK\$116.0 million in the Previous Period. Revenue contribution by segments comprised: property investment of HK\$45.2 million (Previous Period: HK\$49.8 million), financial advisory services of HK\$30.7 million (Previous Period: HK\$47.4 million), financial guarantee services and other financial services of HK\$18.5 million (Previous Period: HK\$18.8 million), and other revenue of HK\$1.6 million (Previous Period: Nil). The decrease in overall revenue was mainly due to significant drop in revenue from (i) financial advisory business as the incomes of the Previous Period were exceptionally high due to special market situation; and (ii) property investment business as the effective monthly rental of Commercial Complex was lowered as a result of the implementation of a series of incentives, including short term rental allowance and a rent-free programme for tenancy renewal to retain the tenants under the impact of COVID-19.

Gross profit for the Period decreased to HK\$66.2 million, down 11.3% from HK\$74.6 million in the Previous Period. Gross profit margin increased slightly to 68.9% from 64.3% in the Previous Period. The overall gross profit dropped, mainly attributable to the investment property business as this business was severely disrupted by COVID-19 pandemic. Such decrease was partially netted off by the increase in the gross profit of financial advisory business as a result of the significant decrease in commission payable to third party brokers and it also led to mild increase in overall gross profit margin.

Other income, gains and losses recorded a gain of HK\$9,000 (Previous Period: HK\$26.8 million) for the Period, mainly comprised (i) adjustment on carrying amount of other borrowings; and (ii) interest income from bank deposits but significantly offset by the exchange loss arising from the appreciation of Renminbi (“**RMB**”) against HK\$ during the Period. During Previous Period, it comprised (i) adjustment on the carrying amount of other borrowings (ii) exchange gain arising from the appreciation of RMB against HK\$ during the Previous Period; (iii) interest income from bank deposits; and (iv) government subsidy under Employment Support Scheme etc.

During the Previous Period, the Group recorded a one-off gain of HK\$5.2 million from the disposal of a subsidiary. Such subsidiary was engaged in property holding business in Hong Kong.

The Group’s investment properties in Xi’an City and Hanzhong City of the Shaanxi Province, the PRC still recorded a gain on fair value change of HK\$34.2 million during the Period (Previous Period: HK\$32.0 million) even under the impact of the COVID-19 pandemic, mainly attributable to the slight improvement of the real estate market in Xi’an City and Hanzhong City of the PRC. The investment properties including the Commercial Complex, the CIC and the logistics park project located at Hantai District, Hanzhong City, Shaanxi Province (the “**Chinlink • Worldport**”) underwent a fair value assessment.

The Group owns 25% equity interests in an associate which engaged in finance lease business in the PRC. During the Period, share of profit of an associate amounted to HK\$9.7 million (Previous Period: HK\$3.8 million).

Administrative expenses mainly comprised staff costs, travelling expenses, depreciation, legal and professional fee etc. amounted to HK\$52.1 million for the Period, representing a slight increase of HK\$3.4 million when compared with HK\$48.7 million in Previous Period. The increase was mainly due to increase in deprecation in relation to the leasehold property owned by the Group with construction completed during the Period.

Finance costs amounted to HK\$139.7 million for the Period, representing an increase of HK\$16.3 million as compared with HK\$123.4 million in the Previous Period. The increase was mainly due to (i) increase in lease liabilities; and (ii) appreciation of RMB against HK\$ during the Period which increased the finance costs denominated in RMB being translated to the reporting currency, i.e. HK\$.

For the Period, the Group recorded a loss of HK\$99.3 million (Previous Period: HK\$37.7 million), such increase was mainly due to (i) significant decrease in gross profit from property investment business segment in the Period as the business was severely disrupted by COVID-19 pandemic; (ii) unrealised exchange loss recorded in the Period (Previous Period: exchange gain) arising from the fluctuation of the exchange rate of RMB against HK\$; (iii) increase in finance costs; and (iv) the absence of the one-off substantial gain from adjustment on carrying amount of other borrowings and the one-off gain from disposal of a subsidiary recorded in the Previous Period.

Liquidity and Financial Resources

As at 30 September 2021, the bank balances and cash and pledged bank deposits amounted to HK\$253.6 million in total (31 March 2021: HK\$236.8 million), representing a slight increase of HK\$16.8 million from that of 31 March 2021. The increase was mainly due to increase in (i) lease liabilities; (ii) advance money from related companies; and (iii) bank and other borrowings.

As at 30 September 2021, the bank and other borrowings of the Group which were mainly denominated in HK\$, RMB and United States dollars (“**US\$**”) amounted to HK\$1,692.5 million (31 March 2021: HK\$1,549.3 million), representing an increase of HK\$143.2 million from that of 31 March 2021, of which HK\$1,015.2 million and HK\$677.3 million were repayable within one year and two to five years respectively. The increase was mainly due to increase in borrowing in the PRC and appreciation of RMB and accrual of finance costs incurred for the Period.

Details of the major financing activities completed during the Period (some of which imposed specific performance obligations on the controlling shareholder of the Company which were subject to announcement disclosure under Rule 13.18 of the Listing Rules and requirements of disclosure in this announcement under Rule 13.21 of the Listing Rules) were as follows:

First 6.5% Coupon Bonds

6.5% coupon bonds (the “**First 6.5% Coupon Bonds**”) with aggregate principal amount of HK\$200.0 million were issued in four tranches on 7 August 2019, 8 August 2019, 19 August 2019 and 6 September 2019. The First 6.5% Coupon Bonds are secured by the equity interests of certain subsidiaries, repayable on the day falling on the first anniversary of the issue dates, interest bearing at 6.5% per annum and guaranteed by Mr. Li. As at 30 September 2020, the First 6.5% Coupon Bonds were matured, of which HK\$41.5 million were redeemed by the Company and the remaining principal of HK\$158.5 million were extended for one year pursuant to the deed of amendment dated 6 August 2020.

On 23 August 2021, the Company and Mr. Li (as the guarantor), with the approval of the bondholders, executed the second deed of amendment to amend certain terms and conditions of the bond instrument of the First 6.5% Coupon Bonds, pursuant to which the maturity dates of the First 6.5% Coupon Bonds were extended for 1 year and the Company can re-issue the First 6.5% Coupon Bonds of up to HK\$140.0 million in aggregate. The maturity date of the new issue shall be the day falling on the first anniversary of the new issue dates.

For the purpose of the new issuance of the First 6.5% Coupon Bonds, on 23 August 2021, the Company entered into the new placing agreement with the placing agent, pursuant to which the placing agent conditionally agreed to procure, on a best effort basis, the placees to subscribe in cash for the First 6.5% Coupon Bonds.

As at 30 September 2021, the First 6.5% Coupon Bonds with principal amount of HK\$67.0 million were extended for 1 year and HK\$59.3 million were newly placed and issued. The proceeds from new placing were used to refinance the existing borrowings. For details, please referred to the announcements of the Company dated 23 August 2021 and 30 September 2021.

Second 6.5% Coupon Bonds

On 23 July 2020, the Company entered into a placing agreement with a placing agent to issue 6.5% coupon bonds ((the “**Second 6.5% Coupon Bonds**”), with the First 6.5% Coupon Bonds, collectively the “**6.5% Coupon Bonds**”) with principal amount of up to HK\$100.0 million, under best effort basis. The Second 6.5% Coupon Bonds are secured by the equity interests of a subsidiary, repayable on the day falling on the first anniversary of the issue date, interest bearing at 6.5% per annum and guaranteed by Mr. Li. On 4 August 2020, the Second 6.5% Coupon Bonds with principal of HK\$66.5 million were issued and the proceeds were used for refinancing the existing borrowings. Details of the Second 6.5% Coupon Bonds are set out in the announcements of the Company dated 23 July 2020 and 4 August 2020. It is a condition of the 6.5% Coupon Bonds that Mr. Li and his associates shall not cease to own, directly or indirectly, at least 51% of the beneficial interest in the Company carrying at least 51% of the voting right, failing which the 6.5% Coupon Bonds shall be immediately redeemable. The Second 6.5% Coupon Bonds were matured and fully repaid by the Company during the Period.

As at 30 September 2021, the Group had net current liabilities of HK\$999.4 million (31 March 2021: HK\$1,233.6 million) and the current ratio of the Group calculated as the Group’s current assets over its current liabilities was 0.50 (31 March 2021: 0.33). The improvement in the current ratio was mainly due to reclassification of Phase Two Development from non-current assets (investment properties) to current assets (properties under development for sale) as the Group intended to dispose the Phase Two Development to improve liquidity.

Share Capital

As at 30 September 2021, the authorised share capital and issued share capital of the Company were HK\$625.0 million and HK\$11.7 million respectively (31 March 2021: HK\$625.0 million and HK\$11.7 million respectively). There were no changes in the authorised share capital and issued share capital of the Company during the Period.

Gearing Ratio

The Group's gearing ratio as at 30 September 2021 was 0.61 (31 March 2021: 0.59) which was based on the Group's total liabilities of HK\$3,343.7 million (31 March 2021: HK\$3,110.5 million) and the Group's total assets of HK\$5,467.9 million (31 March 2021: HK\$5,284.2 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 or US\$. Other monetary assets and liabilities were mainly denominated in HK\$, RMB and US\$. During the Period, the exchange rate of RMB to HK\$ appreciated slightly. 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 to the condensed consolidated financial statements, the Group did not have any significant contingent liabilities.

As at 30 September 2021, the Group had pledged (i) bank deposits of HK\$213.2 million to certain banks as securities in return for the banks' provision of loans to the Group's financial guarantee services customers; (ii) leasehold land and building with carrying value of HK\$23.8 million to secure obligations under finance leases and banking facilities; and (iii) certain investment properties with fair value of HK\$3,334.4 million and equity interest of certain subsidiaries to secure obligation under the certain bank and other borrowings, the 6.5% Coupon Bonds and 13.0% Coupon Bonds.

Capital Commitments

As at 30 September 2021, the Group had capital commitments contracted but not provided for amounting to HK\$28.1 million in respect of the development of Chinlink • Worldport. Details of the commitments are set out in note 16 to the condensed consolidated financial statements. 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 Period.

INTERIM DIVIDEND

The Board did not declare the payment of interim dividend for the Period (Previous Period: Nil).

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 30 September 2021, the Group had 32 employees in Hong Kong, 230 employees in China and 3 employees in the United Kingdom (31 March 2021: 37 employees in Hong Kong, 217 employees in China and 1 employee in the United Kingdom).

Employees are remunerated based on their performance and relevant working experiences, taking into account the prevailing market conditions. Discretionary performance bonus may be awarded to employees with reference to the financial performance of the Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

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

PROSPECTS

The Group will continue to focus on expanding the financial services with its special position in Hong Kong to capture the vast market potentials in the regional and China markets, especially in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will foster cooperation with regional and domestic governments in China, to upgrade their industrial infrastructure with innovative models and comprehensive financing solutions.

There are some of the most exciting developments under way for MCM Group, forging relationships and partnerships that will broaden the reach and capabilities across MCM Group in 2022 and beyond. First, MCM Group began a collaboration with Nixon Peabody LLP, one of the most respected law firms globally, to cooperate in advising around different elements of SPAC transactions for potential companies in the region. With the growth of SPAC issuance and the prospects of the Stock Exchange launching SPAC issues in the year ahead, MCM Group continues to see an important role for the firm advising around this complex area of new issues and creating great business synergies with Nixon Peabody. In November 2021, MCM Group finalised a joint venture agreement with Bulltack LLC (“**Bulltack**”), a US-based financial services firm servicing the Latin American region for over 20 years. With a strong presence in the region, and expertise across institutional sales and trading, wealth and asset management, and alternative investments, Bulltack breeds great synergies with MCM Group’s corporate advisory across private and venture equity, and its Asian footprint. With several successful projects executed between the firms, this joint venture will create one of the unique platforms to link these two growing regions together, something rarely done across financial services, and exploit opportunities for investors and corporates in both regions. Finally, MCM Group had established a Singapore branch with eyes to expand its presence in the region to this important financial hub for Southeast Asia and will soon launch other fund ventures with renowned partners in some of the most exciting areas of technology today.

The pre-sale of the Phase Two Development is on track since this September. Nevertheless, because of the unfavourable market sentiment in the China property market, the pre-sale is not satisfactory as expected. The Group will adjust the sales strategy in response to market situation if necessary to enhance the Group’s liquidity.

The joint venture project with the Hanzhong Municipal Government is still in progress. It will include a Public-Private Partnership (“**PPP**”) joint venture to be formed to take over majority assets of Chinlink • Worldport to merge with the Hanzhong Baohe Logistics Park, whereby the Group will be responsible for the development and management of Chinlink • Worldport with the financial and resources backup from the Hanzhong Municipal Government. The Group will have equity interest in the PPP and an in-kind contribution of the Group’s investment in lands and properties in Chinlink • Worldport.

Another joint-venture company formed with the Hanzhong Municipal Government is the HZ Tiannong Agriculture & Chinese Medicine Industries Limited, to promote green agriculture and traditional Chinese medicine from Hanzhong. This company is developing a Chinese medicine industrial park with research and development and testing facilities, advance manufacturing, and qualified Chinese medical products for sales in domestic and export markets through online and offline platforms.

Looking forward, we wish the ending of the COVID-19 pandemic and the travel restrictions very soon. This is essential for the Group to further expand its financial services and other innovative businesses. The Group will also step up its pre-sale efforts for Phase Two Development in spite of the difficult market and push ahead with the Hanzhong Municipal Government joint venture projects to ease the Group’s cashflow.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company had applied the principles of, and complied with all code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules except 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 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 BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the relevant employees. Having made specific enquiry of the Directors, all the Directors confirmed that they had 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 the management of the Company 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 condensed consolidated financial statement of the Group for the Period.

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 Period.

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 INTERIM REPORT

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

The interim report of the Company for the Period containing all information required by the Listing Rules will be dispatched to the shareholders of the Company as well as made available on the aforesaid websites in due course.

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

Hong Kong, 30 November 2021

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