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MACROLINK CAPITAL HOLDINGS LIMITED

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Macrolink Capital Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) has not been completed. In the meantime, the board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures for the year 2020:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited and Restated)
Continuing operations			
Revenue	4	486,321	262,463
Cost of sales and services		<u>(466,310)</u>	<u>261,519</u>
Gross profit		20,011	944
Other income and gains	4	4,308	8,494
Administrative expenses		(55,662)	(45,971)
Other operating income/(expenses), net		18,297	(7,503)
Fair value (loss)/gains on investment properties, net		(2,322)	1,970
Impairment loss on other intangible assets		<u>(6,190)</u>	<u>(6,613)</u>
Operating loss from continuing operations	5	(21,558)	(48,679)
Finance costs	6	<u>(4,141)</u>	<u>(3,064)</u>
Loss before tax		(25,699)	(51,743)
Income tax credit/(expense)	7	<u>1,458</u>	<u>(904)</u>
Loss for the year from continuing operations		<u>(24,241)</u>	<u>(52,647)</u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited and Restated)
Discontinued operation			
Loss for the year from a discontinued operation	8	<u>(3,793)</u>	<u>(20,799)</u>
Loss for the year		<u><u>(28,034)</u></u>	<u><u>(73,446)</u></u>
Attributable to:			
<i>Owners of the Company</i>			
Loss for the year from continuing operations		(24,241)	(52,647)
Loss for the year from a discontinued operation		<u>(330)</u>	<u>(12,201)</u>
		<u>(24,571)</u>	<u>(64,848)</u>
<i>Non-controlling interests</i>			
Loss for the year from continuing operations		–	–
Loss for the year from a discontinued operation		<u>(3,463)</u>	<u>(8,598)</u>
		<u>(3,463)</u>	<u>(8,598)</u>
		<u><u>(28,034)</u></u>	<u><u>(73,446)</u></u>
Loss per share attributable to owners of the Company from continuing and discontinued operations			
Basic and diluted (HK cents)	9	<u><u>(2.04)</u></u>	<u><u>(5.38)</u></u>
Loss per share attributable to owners of the Company from continuing operations			
Basic and diluted (HK cents)	9	<u><u>(2.01)</u></u>	<u><u>(4.37)</u></u>
Loss per share attributable to owners of the Company from a discontinued operation			
Basic and diluted (HK cents)	9	<u><u>(0.03)</u></u>	<u><u>(1.01)</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss for the year	<u>(28,034)</u>	<u>(73,446)</u>
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	–	4,165
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	(61)
Reclassification of exchange fluctuation reserve to profit or loss upon deemed disposal of a subsidiary	(5,746)	–
Exchange differences on translation of foreign operations	<u>14,701</u>	<u>9,377</u>
	<u>8,955</u>	<u>13,481</u>
Total comprehensive expense for the year	<u><u>(19,079)</u></u>	<u><u>(59,965)</u></u>
Attributable to:		
Owners of the Company	(15,651)	(52,554)
Non-controlling interests	<u>(3,428)</u>	<u>(7,411)</u>
	<u><u>(19,079)</u></u>	<u><u>(59,965)</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		38,509	82,816
Investment properties		76,414	77,921
Right-of-use assets		39,125	19,234
Other intangible assets		–	6,849
Equity investments at fair value through profit or loss		40,903	–
Deposits for acquisition of a subsidiary		50,000	–
		<hr/>	<hr/>
Total non-current assets		244,951	186,820
Current assets			
Inventories		22,028	28,264
Accounts receivable	<i>11</i>	–	932
Prepayments, deposits and other receivables		19,235	15,948
Tax recoverable		4	–
Amounts due from related companies		951	14,019
Amounts due from an investee company		18,744	–
Financial instruments at fair value through profit or loss		16,121	15,706
Cash and bank balances		114,006	6,893
		<hr/>	<hr/>
Total current assets		191,089	81,762
Current liabilities			
Accounts payable	<i>12</i>	2,749	4,801
Other payables and accruals		47,433	52,113
Interest-bearing other borrowings		28,115	28,980
Amounts due to related companies		193,024	27,955
Lease liabilities		7,261	973
Tax payable		–	24
		<hr/>	<hr/>
Total current liabilities		278,582	114,846
		<hr/>	<hr/>
Net current liabilities		(87,493)	(33,084)
		<hr/>	<hr/>
Total assets less current liabilities		157,458	153,736

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 31 December 2021

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	33,503	331
Deferred tax liabilities	33,059	34,403
	<hr/>	<hr/>
Total non-current liabilities	66,562	34,734
	<hr/>	<hr/>
Net assets	90,896	119,002
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Equity attributable to owners of the Company		
Share capital	120,625	120,625
Reserves	(29,729)	(14,078)
	<hr/>	<hr/>
	90,896	106,547
Non-controlling interests	–	12,455
	<hr/>	<hr/>
Total equity	90,896	119,002
	<hr/> <hr/>	<hr/> <hr/>

1. BASIS OF PREPARATION

The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

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

The Group recorded unaudited net loss of approximately HK\$28,034,000 during the year ended 31 December 2021 and it had unaudited net current liabilities of approximately HK\$87,493,000 as at 31 December 2021. These events or conditions may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Exploring the possibility and speeding up the process of disposing assets of the Group to enhance its liquidity position;
- (c) Soliciting for further financing arrangements which include funding from related companies of the Group;
- (d) Obtaining financial support from two related companies to which the Group was indebted in an amount of Renminbi (“RMB”) 19,000,000 (approximately HK\$23,304,000) and HK\$150,000,000 respectively, as at 31 December 2021. The related companies have undertaken not to request for repayment of the total indebted amounts for twelve months from the date of this announcement; and
- (e) Re-exploring the property management services business segment by entering into entrusted property operation and management contracts with related companies of the Group, as well as by developing into service-based operation of rental serviced apartments, thereby generating stable income and operating cash flows to the Group.

Taking into account of the above measures, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the financial information has been prepared on a going concern basis.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the financial information are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the amendments to HKFRSs effective as of 1 January 2021 below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>

The application of the amendments to HKFRSs and HKAS in the current year has had no material impact on the Group's financial information.

3. SEGMENT INFORMATION

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

- (a) the property investment and development segment engages in leasing and sale of properties;
- (b) the property management services segment provides property management services;
- (c) the securities investments segment engages in investing in listed securities;
- (d) the trading of mineral concentrates segment engages in the trading of mineral concentrates;
- (e) the coal mining segment engages in the exploration and development of coal mine concessions and mining for sale of coal;
- (f) the others segment engages in the sale of parts of mining equipment; and
- (g) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder, which became a discontinued operation during the year ended 31 December 2021.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss before tax, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income and other unallocated income and gains, finance costs and other unallocated head office and corporate expenses are excluded from such measurement.

As a result of (g) mentioned above, certain comparative financial information has been restated to conform to the current's year presentation.

3. SEGMENT INFORMATION (Continued)

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

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

Segments results

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

Year ended 31 December 2021

	Continuing operations						Total HK\$'000 (Unaudited)
	Property investment and development HK\$'000 (Unaudited)	Property management services HK\$'000 (Unaudited)	Securities investments HK\$'000 (Unaudited)	Trading of mineral concentrates HK\$'000 (Unaudited)	Coal mining HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	
Segment revenue:							
Sales to/revenue from external customers	4,398	14,317	-	467,078	-	1,147	486,940
Investment income	-	-	(619)	-	-	-	(619)
	<u>4,398</u>	<u>14,317</u>	<u>(619)</u>	<u>467,078</u>	<u>-</u>	<u>1,147</u>	<u>486,321</u>
Segment results	<u>(1,012)</u>	<u>13,041</u>	<u>(619)</u>	<u>1,618</u>	<u>(22,797)</u>	<u>(3,648)</u>	<u>(13,417)</u>
Bank interest income and other unallocated income and gains							29,862
Corporate and other unallocated expenses							(38,003)
Unallocated finance costs							<u>(4,141)</u>
Loss before tax from continuing operations							<u>(25,699)</u>

3. SEGMENT INFORMATION (Continued)

Segment results (Continued)

Year ended 31 December 2020

	Continuing operations					Total HK\$'000 (Audited)
	Property investment and development HK\$'000 (Audited)	Securities investments HK\$'000 (Audited)	Trading of mineral concentrates HK\$'000 (Audited)	Coal mining HK\$'000 (Audited)	Others HK\$'000 (Audited)	
Segment revenue:						
Sales to/revenue from external customers	4,112	-	258,085	119	2,973	265,289
Investment income	-	(2,826)	-	-	-	(2,826)
	<u>4,112</u>	<u>(2,826)</u>	<u>258,085</u>	<u>119</u>	<u>2,973</u>	<u>262,463</u>
Segment results	<u>3,101</u>	<u>(2,825)</u>	<u>(3,025)</u>	<u>(14,295)</u>	<u>(4,163)</u>	<u>(21,207)</u>
Bank interest income and other unallocated income and gains						8,594
Corporate and other unallocated expenses						(36,066)
Unallocated finance costs						<u>(3,064)</u>
Loss before tax from continuing operations						<u><u>(51,743)</u></u>

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities and other segment information

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

Year ended/as at 31 December 2021

	Continuing operations						Total HK\$'000 (Unaudited)
	Property investment and development HK\$'000 (Unaudited)	Property management services HK\$'000 (Unaudited)	Securities investments HK\$'000 (Unaudited)	Trading of mineral concentrates HK\$'000 (Unaudited)	Coal mining HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	
Assets and liabilities:							
Segment assets	85,555	37,871	16,126	26,016	476	1,216	167,260
Corporate and other unallocated assets							268,780
Total assets							436,040
Segment liabilities	42,477	39,504	-	121	6,490	4,521	93,113
Corporate and other unallocated liabilities							252,031
Total liabilities							345,144
Other segment information:							
Depreciation and amortisation charged in profit or loss	2	1,657	-	6	282	6	1,953
Corporate and other unallocated amounts							3,435
							5,388
Fair value loss on investment properties	2,322	-	-	-	-	-	2,322
Impairment loss on property, plant and equipment	-	-	-	-	830	-	830
Write-down on inventories	-	-	-	-	-	295	295
Impairment loss on other intangible assets	-	-	-	-	6,190	-	6,190
Provision/(reversal) of impairment loss on accounts receivable – net	-	-	-	-	25	(69)	(44)
Provision of impairment loss on prepayments, deposits and other receivables – net	-	-	-	-	1,864	2	1,866
Capital expenditure [#]	-	38,911	-	-	-	-	38,911

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

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities and other segment information (Continued)

Year ended/as at 31 December 2020

	Continuing operations					Sub-total for continuing operations HK\$'000 (Audited)	Discontinued operation – Manufacture and sale of construction materials HK\$'000 (Audited)	Total HK\$'000 (Audited)
	Property investment and development HK\$'000 (Audited)	Securities investments HK\$'000 (Audited)	Trading of mineral concentrates HK\$'000 (Audited)	Coal mining HK\$'000 (Audited)	Others HK\$'000 (Audited)			
Assets and liabilities:								
Segment assets	86,587	15,706	29,765	10,770	2,725	145,553	54,397	199,950
Corporate and other unallocated assets								68,632
Total assets								268,582
Segment liabilities	43,675	–	493	559	4,924	49,651	15,251	64,902
Corporate and other unallocated liabilities								84,678
Total liabilities								149,580
Other segment information:								
Depreciation and amortisation charged in profit or loss	3	–	4	335	4	346	3,071	3,417
Corporate and other unallocated amounts								3,484
								6,901
Fair value gains on investment properties	(1,970)	–	–	–	–	(1,970)	–	(1,970)
Impairment loss on property, plant and equipment	–	–	–	–	–	–	9,507	9,507
Write-down on inventories	–	–	–	656	761	1,417	2,374	3,791
Impairment loss on other intangible assets	–	–	–	6,613	–	6,613	–	6,613
Provision/(reversal) of impairment loss on accounts receivable – net	(54)	–	–	96	772	814	–	814
Provision/(reversal) of impairment loss on prepayments, deposits and other receivables – net	(29)	–	(471)	872	834	1,206	–	1,206
Corporate and other unallocated assets								(27)
								1,179
Gain on disposal of items of property, plant and equipment – corporate and other unallocated amounts								(128)
Capital expenditure [#] – corporate and other unallocated amounts								1,973

[#] Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

3. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Year Ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
The People's Republic of China ("PRC")	485,793	259,542
Peru	1,147	5,747
Hong Kong	(619)	(2,826)
	<u>486,321</u>	<u>262,463</u>

The revenue information is based on the location of the customers.

(b) Non-current assets

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
PRC	114,517	132,351
Peru	38,269	53,133
Hong Kong	92,165	1,336
	<u>244,951</u>	<u>186,820</u>

The non-current assets information is based on the locations of assets.

Information about major customer

Revenue from customer of corresponding period contributing over 10% of total revenue of the Group is as follows:

	Year Ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Customer A (attributable to trading of mineral concentrates segment)	121,339	–
Customer B (attributable to trading of mineral concentrates segment)	–	171,266
Customer C (attributable to trading of mineral concentrates segment)	83,561	–
	<u>204,900</u>	<u>171,266</u>

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue and other income and gains is as follows:

	Year Ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited and Restated)
Continuing operations		
Revenue		
Revenue from contracts with customers		
Sale of mineral concentrates	467,078	258,085
Sale of parts of mining equipment	1,147	2,973
Sale of coal	–	119
Revenue from other sources		
Gross rental income	4,398	4,112
Property management income	14,317	–
Fair value losses:		
Equity investments at fair value through profit or loss (“FVTPL”)		
– held for trading	(1,954)	(4,075)
Dividend income	1,335	1,249
	<u>486,321</u>	<u>262,463</u>
Continuing operations		
Other income and gains		
Bank interest income	335	190
Property agency commission income	904	1,296
Gain on disposal of items of property, plant and equipment	–	128
Management fee income	1,612	2,150
Gain on disposal of subsidiaries	–	3,902
Government grants	–	758
Gain on reduction of lease payment	1,207	–
Others	250	70
	<u>4,308</u>	<u>8,494</u>

During the year ended 31 December 2021, the Group did not recognise government grants (2020: HK\$758,000) in respect of Covid-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government. The grants were recognised when the required employment conditions were fulfilled.

5. OPERATING LOSS FROM CONTINUING OPERATIONS

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

	Note	Year Ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited and Restated)
Employee benefits expense (excluding directors' remuneration)			
Salaries, wages and other benefits in kind		12,792	14,889
Contributions to retirement benefits schemes		941	842
		<u>13,733</u>	<u>15,731</u>
Auditors' remuneration		900	900
Depreciation of right-of-use assets		2,583	656
Cost of inventories recognised as an expense	(ii)	465,694	262,826
Depreciation of property, plant and equipment		2,805	3,174
Net foreign exchange loss		22,225	15,134
(Reversal)/provision of impairment loss on accounts receivable – net	(i)	(44)	814
Provision of impairment loss on prepayments, deposits and other receivables – net	(i)	1,866	1,179
Reversal of expected credit loss on financial guarantee contract	(i)	–	(72)
Lease payments relating to short-term leases in respect of land and buildings		79	219
Loss on deregistration of a subsidiary	(i)	–	4,165
Provision for compensation claims	(i)	5,032	–
Fair value gain on equity investments at FVTPL	(i)	(26,276)	–
Impairment loss on property, plant and equipment	(i)	830	–
		<u>(4,398)</u>	<u>(4,112)</u>
Gross rental income from investment properties			
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the year		84	27
		<u>(4,314)</u>	<u>(4,085)</u>

5. OPERATING LOSS FROM CONTINUING OPERATIONS (Continued)

Notes:

- (i) Amounts are included in “Other operating income/(expenses) – net”.
- (ii) The amount included write-down on inventories of approximately HK\$295,000 (2020: HK\$1,417,000 (restated)).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year Ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Interest on bank and other borrowings wholly repayable within five years	2,493	2,456
Loan arrangement fee for other loan	460	575
Interests on lease liabilities	1,188	33
	<u>4,141</u>	<u>3,064</u>

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year Ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current – Elsewhere		
Charge for the year	–	12
Over-provision in prior years	(24)	(115)
Deferred tax (credit)/charge	(1,568)	882
Withholding tax charge		
– PRC	134	125
	<u>134</u>	<u>125</u>
Total tax (credit)/expense for the year	<u>(1,458)</u>	<u>904</u>

8. DISCONTINUED OPERATION AND DEEMED DISPOSAL OF A SUBSIDIARY

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

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

Hunan Taiji, which was engaged in the manufacture and sale of construction materials, was reclassified as a discontinued operation of the Group during the year ended 31 December 2021 upon the deemed disposal of Hunan Taiji on 15 April 2021. Accordingly, the Group reclassified the investment in Hunan Taiji as equity investments at FVTPL with effect from the same date.

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

	Period from 1 January 2021 to 15 April 2021 HK\$’000 (Unaudited)	Year Ended 31 December 2020 HK\$’000 (Audited)
Discontinued operation		
Revenue	–	–
Cost of sales and services	–	–
Gross profit	–	–
Other income and gains	–	1
Administrative expenses	(2,418)	(6,553)
Other operating expenses, net	(6,192)	(14,247)
Gain on deemed disposal of Hunan Taiji	4,817	–
Loss from a discontinued operation	<u>(3,793)</u>	<u>(20,799)</u>
Loss for the period attributable to:		
Owners of the Company	(330)	(12,201)
Non-controlling interests	<u>(3,463)</u>	<u>(8,598)</u>
	<u>(3,793)</u>	<u>(20,799)</u>

9. LOSS PER SHARE

(a) Continuing and discontinued operations

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

	Year Ended 31 December	
	2021 (Unaudited)	2020 (Audited)
Loss for the year attributable to owners of the Company (HK\$'000)	<u>(24,571)</u>	<u>(64,848)</u>
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>1,206,249,251</u>	<u>1,206,249,251</u>

(b) Continuing operations

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

	Year Ended 31 December	
	2021 (Unaudited)	2020 (Audited and Restated)
Loss for the year from continuing operations (HK\$'000)	<u>(24,241)</u>	<u>(52,647)</u>

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

(c) Discontinued operation

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

	Year Ended 31 December	
	2021 (Unaudited)	2020 (Audited and Restated)
Loss for the year from a discontinued operation (HK\$'000)	<u>(330)</u>	<u>(12,201)</u>

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

The Company had no potential ordinary shares in issue as at 31 December 2021 and 2020.

10. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil) on the assumption that the audited annual results of the Company for the year ended 31 December 2021 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein.

11. ACCOUNTS RECEIVABLE

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Accounts receivable	1,196	3,249
Impairment	<u>(1,196)</u>	<u>(2,317)</u>
	<u>–</u>	<u>932</u>

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

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	–	113
1 to 3 months	–	582
Over 3 months	<u>–</u>	<u>237</u>
	<u>–</u>	<u>932</u>

12. ACCOUNTS PAYABLE

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	2	5
1 to 3 months	–	32
Over 3 months	2,747	4,764
	<u>2,749</u>	<u>4,801</u>
	<u><u>2,749</u></u>	<u><u>4,801</u></u>

Accounts payable are non-interest-bearing and are mainly denominated in RMB and Soles.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2021 (the “Reporting Year”), based on unaudited financial information, the Group recorded revenue of approximately HK\$486,321,000 (unaudited), representing a significant increase of 85.29% over HK\$262,463,000 (audited) of last year. The increase in revenue was mainly attributable to the expansion in business scale of the trading of mineral concentrates business relating to nickel cathodes with increased trading volume and amount during the Reporting Year. The Group’s gross profit during the Reporting Year was approximately HK\$20,011,000 (unaudited) (2020: HK\$944,000 (audited)), thanks to the contribution from the trading of mineral concentrates business segment and the property management services business segment. Although the Group’s administrative expenses increased to approximately HK\$55,662,000 (unaudited) from approximately HK\$45,971,000 (audited and restated), which was mainly attributable to the substantial increase in the net foreign exchange loss recorded by the Group during the Reporting Year (i.e increasing from approximately HK\$15,134,000 (audited) to approximately HK\$22,225,000 (unaudited)), the Group was able to mitigate the loss for the Reporting Year from continuing operations to approximately HK\$24,241,000 (unaudited), compared to a restated amount of approximately HK\$52,647,000 for 2020, thanks to the unaudited other operating net income of approximately HK\$18,297,000 for the Reporting Year (2020: audited and restated other operating net expenses of HK\$7,503,000). Coupled with loss on a discontinued operation of approximately HK\$3,793,000 (unaudited) (2020: (audited and restated) HK\$20,799,000), the Group recognised unaudited loss of approximately HK\$28,034,000 (2020: (audited) HK\$73,446,000). Basic and diluted loss per share from continuing and discontinued operations attributable to shareholders of the Company was HK cents 2.04 (unaudited) (2020: HK cents 5.38 (audited)).

OPERATION REVIEW

Trading of mineral concentrates business

During the Reporting Year, the trading of mineral concentrates business segment principally operates in two main aspects: (1) Overseas Nickel Trading-sourcing mineral concentrates (branded electrolytic nickel cathodes) from Russia and exporting them to the trading intermediates and end customers in the PRC and (2) Onshore Nickel Trading-sourcing nickel concentrates in the PRC and selling them to the end customers in the PRC. In view of the uncertainty surrounding the business environment in Peru, the trading business in Peru has been temporarily terminated during the Reporting Year.

During the Reporting Year, with regard to the Overseas Nickel Trading, with limited availability of product supply, the Group was only able to trade an aggregate volume of approximately more than 1,733 tons (2020: more than 2,390 tons) of nickel, with unaudited revenue of approximately HK\$248,599,000 (2020: HK\$252,337,000 (audited)) being recognised by the Group. However, this product stream continued to enable the Group to strengthen its revenue base in this business segment.

During the year under review, thanks to the strengthening of domestic demand for imported nickel products, which is mainly due to the progressive recovery of the production momentum, the Group experienced rise in the selling price and strived to secure a higher profit margin for its products. As a result, the Group recorded unaudited gross profit of approximately HK\$2,817,000 (2020: gross loss of HK\$1,058,000 (audited)) for its Overseas Nickel Trading.

During the Reporting Year, as a result of the strong domestic demand for nickel product, as regards the Onshore Nickel Trading, the Group engaged to commence sourcing of nickel products in the domestic market of the PRC and to sell to end customers in the PRC thanks to a strong customer base the Group has been capturing. The Group has been able to trade an aggregate volume of more than 1,479 tonnes of nickel products during the year under review (2020: nil (audited)), with unaudited revenue of approximately HK\$218,479,000 being recognised by the Group.

Based on the foregoing, during the Reporting Year, the business of trading of mineral concentrates recorded a segment profit of approximately HK\$1,618,000 (unaudited) (2020: loss of HK\$3,025,000 (audited)).

Securities investments

During the Reporting Year, the Group made alteration to its investment portfolio by investing in additional 850,000 shares of a Hong Kong listed company engaged in financial services, leading to an aggregate shareholding of 5,820,000 shares in that company. As at 31 December 2021, the Group recognised relevant fair value loss on equity investments at FVTPL – held for trading of approximately HK\$1,954,000 (unaudited) (2020: HK\$4,075,000 (audited)), the negative impact of which has been eliminated with a dividend income related to the investment of approximately HK\$1,335,000 (unaudited) (2020: HK\$1,249,000 (audited)).

Construction material business

Hunan Taiji has been in suspension of production since August 2016 after the suspension in supply of granulated steel slag for production in March 2016 by the sole supplier. During the Reporting Year, the Group received a civil ruling dated 26 January 2021 issued by Loudi Intermediate Court, pursuant to which Hunan Taiji was requested to proceed to the Mandatory Dissolution Ruling. On 15 April 2021, Loudi Intermediate Court reiterated its ruling with the formation of a dissolution team to proceed with the Mandatory Dissolution Ruling. Therefore, it was concluded that since 15 April 2021, the Group has lost control of Hunan Taiji, which was reclassified as a discontinued operation of the Group during the Reporting Year. Accordingly, the Group reclassified the investment in Hunan Taiji as equity investments at FVTPL with effect from the same date.

On 11 October 2021, the Loudi Intermediate Court ruled and confirmed the dissolution proposal (the “Dissolution Proposal”), including, inter alia, the procedures to dispose of the tangible and intangible assets of Hunan Taiji (the “Liquidated Assets”) by way of open tender. The Liquidated Assets include (i) the land use right of a parcel of state-owned land with an area of approximately 88,000 square meters located at Loudi City Economic Development Zone in Hunan province, the PRC (the “Land”); (ii) the buildings on the Land; (iii) two production lines of each with a designed annual production capacity of 600,000 tons slag powder; and (iv) inventories of consumables and parts.

On 17 December 2021, a purchaser submitted the tender and successfully bid for the Liquidated Assets at a consideration of RMB80,080,000 (equivalent to approximately HK\$97,698,000) (the “Consideration”). Subsequently on 20 December 2021, 涟源鋼鐵集團有限公司 (“Lianyuan Steel”), which owns 40% equity interest in Hunan Taiji, exercised the right of first refusal which was granted under the Dissolution Proposal and offered to the dissolution team the same Consideration for the Liquidated Assets. The Group agreed to the offer from Lianyuan Steel.

Up to the date of this announcement, the mandatory dissolution of Hunan Taiji is still in progress.

During the Reporting Year, the Group has recognised a loss of approximately HK\$3,793,000 (unaudited) (2020: HK\$20,799,000 (audited)) from the discontinued operation, which was made up by operating loss of approximately HK\$8,610,000 (unaudited) (2020: HK\$20,799,000 (audited)), and a gain on deemed disposal of Hunan Taiji of approximately HK\$4,817,000 (unaudited) (2020: nil (audited)).

Coal mining business

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

During the Reporting Year, this business segment recorded revenue of nil (2020: HK\$119,000 (audited)) and a segment loss of approximately HK\$22,797,000 (unaudited) (2020: HK\$14,295,000 (audited)).

Since the Group expects the production will continue to incur loss and given the Pandemic Outbreak, the Group expects that the two mines will not resume production until the economic recovery from the Pandemic Outbreak emerges.

Property investment and development

During the Reporting Year, the segment of property investment and development recorded a segment loss of approximately HK\$1,012,000 (unaudited) (2020: segment gain of HK\$3,101,000 (audited)).

Investment properties in Beijing

During the Reporting Year, the rental income from property leasing in Beijing, the PRC was approximately HK\$4,398,000 (unaudited) (2020: HK\$4,112,000 (audited)). These investment properties in Beijing recorded fair value loss of approximately HK\$2,322,000 (unaudited) (2020: fair value gain HK\$1,970,000 (audited)) in respect of the revaluation, which mainly accounted for the loss in this business segment. Notwithstanding these, the Group expects these investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation in future.

Property management services

On 8 February 2021 and 14 July 2021, the Group entered into agreements with Macrolink Development Investment Limited (“Macrolink Development and Investment”) and Macrolink Holding Co., Ltd., respectively, to provide property operation and management, solicitation of business and tenants and other related services in relation to certain owned and entrusted properties. The Group achieved to recognise a property management income of approximately HK\$14,317,000 (unaudited) during the Reporting Year (2020: nil (audited)).

During the Reporting Year, the Group entered into a lease agreement, pursuant to which the Group agreed to lease properties comprising 395 guest rooms and certain ancillary facilities (i.e. kitchens, warehouse and restaurant) located in Fengtai District, Beijing with a total usable property area of 26,058.90 square meters (the “Properties”) for a term commencing from 5 July 2021 and ending on 31 December 2032. The leasing of the Properties is intended for use by the Group as short-term or long-term rental serviced apartments and ancillary business premises such as catering and convenience stores. Due to the ongoing pandemic situation arising from the Pandemic Outbreak in the PRC and that the Properties were requisitioned as the temporary ancillary facilities for the Beijing Winter Olympics Games in the fourth quarter of 2021, the Group did not recognise any income relating to the Properties during the Reporting Year.

Based on the above, the Group was able to recognise a profit of approximately HK\$13,041,000 (unaudited) (2020: nil (audited)) in this business segment.

OUTLOOK

Since early 2020, the Pandemic Outbreak has spread across the PRC and other countries and it has affected the business of the Group to some extent. In the face of the economic recession and uncertainties, the Group will pay close attention to the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group. At the same time, we will closely monitor how China's macroeconomy and policies and changes in the global economy, political landscapes, market environment and competition will affect the Company, and continue to optimize its operations to maintain the sustainable long-term growth of the Group.

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's unaudited total equity amounted to approximately HK\$90,896,000 (31 December 2020: HK\$119,002,000 (audited)), representing a decrease of 23.62% compared with that as at 31 December 2020. The Group's unaudited current ratio as at 31 December 2021 was 0.69 (31 December 2020: 0.71 (audited)). The Group's unaudited gearing ratio, expressed as a ratio of total interest-bearing bank and other borrowings to total assets as at 31 December 2021, was 0.06 (31 December 2020: 0.11 (audited)).

The Group had no particular seasonal pattern of borrowing. As at 31 December 2021, the Group had unaudited secured other loan and unaudited unsecured other loan amounting to HK\$22,000,000 (31 December 2020: HK\$23,000,000 (audited)) and HK\$6,115,000 (31 December 2020: HK\$5,980,000 (audited)), respectively. The secured other loan is denominated in HK\$, interest-bearing at 8.5% per annum and after extension, the repayment date has been extended to January 2023. The unsecured other loan is denominated in RMB and interest-bearing at 9.5% per annum and repayable on demand.

As at 31 December 2021, the Group's unaudited cash and cash equivalents totaled approximately HK\$113,943,000 (31 December 2020: HK\$6,830,000 (audited)), which were mainly denominated in HK\$, US\$, RMB and Soles.

As at 31 December 2021, the Group had unaudited aggregate banking and other facilities of approximately HK\$22,000,000 (31 December 2020: HK\$32,568,000 (audited)) and had no unaudited unutilised banking and other facilities (31 December 2020: HK\$9,568,000 (audited)) available for drawdown.

The Group recorded unaudited net loss of approximately HK\$28,034,000 during the year ended 31 December 2021 and it had unaudited net current liabilities of approximately HK\$87,493,000 as at 31 December 2021. These conditions indicate the existence of material uncertainties which may cast doubt about the Group's ability to continue as going concerns.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Exploring the possibility and speeding up the process of disposing assets of the Group to enhance its liquidity position;
- (c) Soliciting for further financing arrangements which include funding from related companies of the Group;
- (d) Obtaining financial support from two related companies to which the Group was indebted in an amount of RMB19,000,000 (approximately HK\$23,304,000) and HK\$150,000,000 respectively, as at 31 December 2021. The related companies have undertaken not to request for repayment of the total indebted amounts for twelve months from the date of this announcement; and
- (e) Re-exploring the property management services business segment by entering into entrusted property operation and management contracts with related companies of the Group, as well as by developing into service-based operation of rental serviced apartments, thereby generating stable income and operating cash flows to the Group.

Taking into account of the above measures, the directors of the Company consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due or will be falling due in coming twelve months. Accordingly, the financial information has been prepared on a going concern basis.

CAPITAL STRUCTURE

During the Reporting Year, there have been no change in the issued share capital of the Company. As at 31 December 2021, the Company's number of issued ordinary shares was 1,206,249,251.

GROUP STRUCTURE

Apart from (i) the reclassification of the investment in Hunan Taiji from investment in subsidiary to equity investments at FVTPL; and (ii) five wholly-owned subsidiaries of the Company being deregistered, there has been no change in the structure of the Group during the Reporting Year.

MATERIAL ACQUISITIONS AND CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no significant capital commitments (31 December 2020: nil).

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

Deposit of HK\$50,000,000 has been paid to the Vendor pursuant to the Sale and Purchase Agreement, with the first instalment of HK\$33,000,000 and the second instalment of HK\$103,000,000 to be paid upon completion of the Acquisition and mortgage release of the certain properties of Macrolink Development and Investment, respectively. Further details of the Acquisition are set out in the announcements of the Company dated 5 March 2021 and 30 December 2021.

Up to the date of this announcement, the Acquisition has not been completed.

SUBSEQUENT EVENT

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)’s Decision on the Company’s Non-Compliance with Rule 13.24 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange

Trading in the shares (the “Shares”) of the Company on the Stock Exchange has been suspended since 15 February 2022.

The Company has received a letter dated 13 August 2021 from the Stock Exchange notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares, and that the trading of the Shares will be suspended under Rule 6.01(3) of the Listing Rules (the “Decision”).

On 23 August 2021, the Company lodged a request for the Decision to be reviewed by the Listing Committee of the Stock Exchange, which decided to uphold the Decision on 18 November 2021 (the “LC Decision”). On 26 November 2021, the Company submitted a written request for the LC Decision to be referred to the Listing Review Committee of the Stock Exchange for review under Chapter 2B of the Listing Rules.

On 21 January 2022, the Listing Review Committee conducted a review hearing to review the LC Decision. On 14 February 2022, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having carefully considered all the facts and evidence, and all submissions presented by the Company and the Listing Division of the Stock Exchange (the “Listing Division”), decided to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules on the ground that the Company had failed to comply with Rule 13.24 of the Listing Rules.

On 23 February 2022, the Company received a letter from the Stock Exchange setting out the following resumption guidance for resumption of trading in the Shares (the “Resumption Guidance”):

- to demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules.

The Company must remedy the issue(s) causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the Shares is allowed to resume. The Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company’s situation changes.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 14 August 2023. If the Company fails to remedy the issue(s) causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in the Shares by 14 August 2023, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

For details, please refer to the announcements of the Company dated 16 August 2021, 23 August 2021, 18 November 2021, 26 November 2021, 14 February 2022 and 24 February 2022.

TREASURY POLICIES AND FOREIGN EXCHANGE RISK

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

CHARGE OF ASSETS

As at 31 December 2021, certain of the Group's investment properties with carrying amount of approximately HK\$40,366,000 (unaudited) (31 December 2020: HK\$73,544,000 (audited)) have been pledged to other lender to secure loan facilities.

As at 31 December 2021, the carrying amount of the pledged investment properties included an amount of nil (31 December 2020: RMB26,680,000 (audited) (approximately HK\$31,910,000)) relating to security for the repayment obligations of a connected person of the Company in the partial loan principal amount of RMB8,000,000 and the related interest thereon, which has been fully indemnified by the connected person.

STAFF AND REMUNERATION

The Group had 30 employees in total as at 31 December 2021 (excluding those headcounts attributable to the discontinued operation) (31 December 2020: 116) mainly in Hong Kong, the PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment terms which are based on industry practice. The Group implemented its remuneration policy and discretionary bonus based on the performance of the Group and its employees. The Group provides benefits such as social and medical insurance and pensions to ensure its competitiveness.

OUTSTANDING LITIGATION

- (1) On 22 February 2019, Junefield (Building Material) Limited ("Junefield Building Material"), an indirect wholly-owned subsidiary of the Company, was informed by Hunan Taiji, the Group's 60%-owned subsidiary, that a notice of response to action (應訴通知書) dated 12 February 2019 from Loudi Intermediate Court was received, pursuant to which Lianyuan Steel, the minority shareholder of Hunan Taiji as plaintiff, had in September 2018 requested a court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement due to the prolonged shareholders' disputes.

The court hearing of this case was held on 25 September 2019 and the ruling was given on 19 January 2020, pursuant to which the request for a court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement due to the prolonged shareholders' disputes was rebutted. Lianyuan Steel has filed an appeal dated 23 January 2020 to the Higher People's Court of Hunan Province ("the Higher Court") to request immediate dissolution of Hunan Taiji.

Junefield Building Material received a civil ruling dated 14 October 2020 issued by the Higher Court, pursuant to which the Higher Court ruled that the civil ruling dated 19 January 2020 issued by Loudi Intermediate Court was withdrawn and Hunan Taiji should be dissolved from the effective date of the ruling (the "Dissolution Ruling"). The Dissolution Ruling is final and took effect on 21 October 2020. Subsequently on 31 October 2020, Junefield Building Material received a letter from Lianyuan Steel requesting for proceed with the dissolution of Hunan Taiji.

In December 2020, the Group lodged an application with the Supreme People's Court of the PRC for requesting a retrial to withdraw the Dissolution Ruling and rebut the request made by Lianyuan Steel for court judgement to dissolve Hunan Taiji prior to the termination of Hunan Taiji's joint venture agreement (the "Retrial Request"). On 12 March 2021, notice of acceptance was received from the Supreme People's Court of the PRC. On 31 May 2021, a civil ruling was received, pursuant to which the Retrial Request was rejected by the Supreme People's Court of the PRC.

On 1 February 2021, Junefield Building Material received a civil ruling dated 26 January 2021 issued by Loudi Intermediate Court, pursuant to which Loudi Intermediate Court ruled that Hunan Taiji failed to proceed with the dissolution within 15 days pursuant to the Dissolution Ruling and it accepted the request from Lianyuan Steel for implementing a mandatory dissolution by the court, hence Hunan Taiji should proceed with the Mandatory Dissolution Ruling from the effective date of this ruling. Based on the legal opinion of the Group's PRC legal advisors, the Mandatory Dissolution Ruling is final and took effect on 26 January 2021.

On 15 April 2021, Loudi Intermediate Court reiterated its ruling and issued a civil judgement (民事決定書), pursuant to which Loudi Intermediate Court implemented the Mandatory Dissolution Ruling, including, inter alia, the formation of a dissolution team which was ordered to proceed with the mandatory dissolution of Hunan Taiji.

Meanwhile, Junefield Building Material also considers to lodge the application for arbitration proceedings at China International Economics and Trade Arbitration Commission for claiming against Lianyuan Steel on the decrease of the profits due to the shortage of supply of granulated steel slag for production for the period from 1 September 2016 onwards for compensations on, inter alia, failing to procure the requested quantity of granulated steel slag for production under the Hunan Taiji's joint venture agreement.

- (2) In January 2022, Minera RC S.A.C., an indirect wholly-owned subsidiary of the Company, received a ruling dated 21 January 2022 issued by a labour court in Peru. According to the ruling, Minera RC S.A.C. was liable to pay a compensation of approximately Soles 1,275,000 (equivalent to approximately HK\$2,483,000) to the family of a deceased worker regarding one of the two fatal accident cases occurred in a mining site operated by the Group in Peru during 2019. The management of Minera RC S.A.C. has subsequently filed an appeal to rebut the ruling as the compensation should not be fully borne by it since it has insured for the workers. Meanwhile, there will be a hearing scheduled to be held in April 2022 for claiming a compensation of approximately Soles 1,309,000 (equivalent to approximately HK\$2,549,000) regarding another fatal accident case. Based on the legal opinion from the legal advisors in Peru, the directors of the Company have taken the view that since a ruling has been given by the labour court for one case and even though there was no result on the appeal, a total provision of Soles 2,584,000 (equivalent to approximately HK\$5,032,000) for the claims for the two cases was recognised in the Reporting Year.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group and financial reporting matters on 30 March 2022. The Audit Committee has also reviewed and discussed with the management about the announcement of unaudited annual results for the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

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

- Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The Chairman of the Board and the chairman of the Nomination Committee did not attend the annual general meeting of the Company held on 15 June 2021 (“AGM”) due to other business engagement. The chairman of the Audit Committee, the chairman of the Remuneration Committee and certain members of the Nomination Committee were present at the AGM to answer the shareholders’ questions.
- Under code provision A.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Due to various other business engagement, the Chairman of the Board did not meet up with the independent non-executive directors of the Company during the Reporting Year. The Chairman of the Board will come up with a meeting date with the independent non-executive directors of the Company as earliest as possible to make sure that they can meet without other executive directors of the Company present in the reporting year of 2022.
- Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year, not all the independent non-executive directors of the Company attended the AGM due to other business engagement. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that the independent non-executive directors of the Company can attend the general meetings in future.
- Under code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times during the Reporting Year at approximately quarterly intervals. The Board met only three times during the Reporting Year. Instead of holding Board meetings, certain matters of the Company were dealt with through written resolutions signed by the directors of the Company. The Board members were properly briefed, actively discussed on issues and were presented with accurate, clear, complete and reliable for the well-informed decisions in the best interests of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

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

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

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil) on the assumption that the audited annual results of the Company for the year ended 31 December 2021 to be published upon completion of the auditing process will be consistent in all material respects with the unaudited results set out herein.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the Reporting Year has not been completed. In view of the ongoing pandemic situation arising from the Pandemic Outbreak, the Group has been facing disruption to complete the audit work under the travel restrictions and tightened social distancing and other precautionary measures imposed in Hong Kong, the Mainland China and Peru. The Company and certain of its subsidiaries situated in Shenzhen, the PRC and Peru are not able to complete the auditing process on time. As a result, the unaudited results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

The unaudited annual results contained herein have been reviewed by the Company's Audit Committee.

FURTHER ANNOUNCEMENT(S)

An announcement relating to the audited results for the Reporting Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited results contained herein will be made when the auditing process has been completed. The Company together with the Company's auditors will use its best endeavor to publish the audited annual financial results in compliance with relevant requirement under the Listing Rules as soon as practicable. The Company currently expected that the audit process will be completed on or before end-April 2022.

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (<http://macrolinkcapital.etnet.com.hk>). The annual report for the year ended 31 December 2021 will be dispatched to shareholders of the Company and published on the same websites in due course.

By Order of the Board
Fu Kwan
Chairman

Hong Kong, 30 March 2022

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