**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Chinlink International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



CHINLINK
普匯中金

# CHINLINK INTERNATIONAL HOLDINGS LIMITED
# 普匯中金國際控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0997)**

# VERY SUBSTANTIAL DISPOSAL:
# DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A PRC SUBSIDIARY AND NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 12 of this circular. A notice convening the SGM to be held at Suite 5-6, 40/F., One Exchange Square, 8 Connanght Place, Central, Hong Kong on Friday, 10 June 2022 at 10:30 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

**PRECAUTIONARY MEASURES FOR THE SGM**

Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the SGM:

- compulsory body temperature checks
- compulsory wearing of a surgical face mask for each attendee
- submission of personal information form, which may be used for contact tracing, if required
- no distribution of corporate gift nor provision of refreshment

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue. All attendees are required to wear surgical face masks at all times at the SGM venue. The Company reminds the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the meeting in person.

25 May 2022

* *for identification purpose only*

# CONTENTS

*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:*

| | |
|---|---|
| "Announcement" | the announcement of the Company dated 29 April 2022 in relation to, among other things, the Disposal |
| "Board" | the board of Directors |
| "Company" | Chinlink International Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 997) |
| "Completion" | completion of the Disposal |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Consideration" | a sum of RMB132,372,708.56 (equivalent to approximately HK$156.2 million), being the consideration for the Sale Capital |
| "controlling shareholder" | has the meaning ascribed thereto under the Listing Rules |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the disposal of the Sale Capital as contemplated under the Sale and Purchase Agreement |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules |
| "Latest Practicable Date" | 23 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |

| | |
|---|---|
| "Lender" | the lender to the Company, a Mauritius entity ultimately controlled by an asset management company listed in the United States of America which is an Independent Third Party, which provided a loan facility to the Group secured by, among other matters, the Sale Capital and the Property |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Mr. Li" | Mr. Li Weibin, an executive Director and the chairman of the Company and the controlling shareholder of the Company |
| "PRC" | the People's Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| "Property" | Chinlink International Centre（普匯中金國際中心）located in the Xi'an Economic and Technological Development Zone, PRC, being one of the investment properties of the Group held by the Target Company |
| "Property Valuation Report" | the property valuation report issued by the Valuer in respect of the Valuation as set out in Appendix V to this circular |
| "Purchaser" | 陝西天恒投資有限責任公司 (Shaanxi Tianheng Investment Co., Ltd.#), a limited liability company established in the PRC |
| "Remaining Group" | the Company and its subsidiaries (excluding the Target Company) after Completion |
| "Sale and Purchase Agreement" | the conditional sale and purchase agreement dated 29 April 2022 and entered into among the Purchaser, the Target Company and the Vendor in respect of the Disposal |
| "Sale Capital" | 100% equity interest of the Target Company, which is beneficially owned by the Vendor as at the Latest Practicable Date |

| | |
|---|---|
| "SGM" | special general meeting of the Company to be convened and held at Suite 5-6, 40/F., One Exchange Square, 8 Connanght Place, Central, Hong Kong on Friday, 10 June 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of issued Share(s) from time to time |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Company" | Real King International (Xi'an) Information Technology Company Limited# (滙景國際(西安)信息科技有限公司), a limited liability company established in the PRC |
| "Valuation" | an independent valuation of the Property performed by the Valuer |
| "Valuer" | Vincorn Consulting and Appraisal Limited, an independent professional valuer |
| "Vendor" | Chinlink Glory Limited, a company incorporated in Hong Kong with limited liabilities and an indirect wholly-owned subsidiary of the Company |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "%" | per cent. |

\# *the English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

*For the purpose of this circular, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.00 to HK$1.18. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

CHINLINK
普匯中金

# CHINLINK INTERNATIONAL HOLDINGS LIMITED
# 普匯中金國際控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0997)**

*Executive Directors:*
Mr. Li Weibin *(Chairman)*
Mr. Siu Wai Yip
Mr. Lau Chi Kit

*Independent non-executive Directors:*
Dr. Ho Chung Tai, Raymond
Ms. Lai Ka Fung, May
Ms. Chan Sim Ling, Irene

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
Suites 5-6, 40/F
One Exchange Square
8 Connaught Place
Central, Hong Kong

25 May 2022

*To the Shareholders*

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL:
DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN A PRC SUBSIDIARY
AND
NOTICE OF SPECIAL GENERAL MEETING**

## INTRODUCTION

References are made to the Announcement in relation to, among other things, the Disposal.

* *for identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information on the Target Company and the Remaining Group; (iii) the pro forma financial information of the Remaining Group upon completion of the Disposal; (iv) the Property Valuation Report of the Property; and (v) a notice of the SGM.

## THE DISPOSAL

On 29 April 2022 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser and the Target Company pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Capital, representing the entire equity interest of the Target Company, for a cash consideration of RMB132,372,708.56 (equivalent to approximately HK$156.2 million) subject to and conditional upon the terms of the Sale and Purchase Agreement.

## THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 29 April 2022

Parties: (i) the Vendor;

(ii) the Purchaser; and

(iii) the Target Company

The Vendor is a limited liability company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company which is principally engaged in investment holding.

The Purchaser is a limited liability company established in the PRC which is principally engaged in property investment, property management, rental of property and asset management. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is owned as to 37.75% by Wang Tianchun (王天春); as to 37.1% by Wang Ziheng (王梓恒); and as to 25.15% by Bai Jumei (白菊梅) who are Independent Third Parties.

**Asset to be disposed of**

Immediately prior to Completion, the Target Company has a registered capital of US$20,000,000 which is owned by the Vendor.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Capital, representing 100% equity interest in the Target Company, subject to and conditional upon the terms and conditions of the Sale and Purchase Agreement.

**Consideration**

The consideration for the Disposal is RMB132,372,708.56 (equivalent to approximately HK$156.2 million), which shall be payable by the Purchaser to the Vendor in cash within ten business days after the transfer of the Sale Capital is recorded in the articles of association of the Target Company, and the transfer having been registered with the Economic Development Zone Branch of Xi'an Market Supervision and Administration Bureau.

The consideration for the Disposal was determined with reference to, among others, the net asset value of the Target Company, the current real estate market situation in Xi'an city and the preliminary valuation of the Property (for further details of the valuation on the Property, please refer to Appendix V to this circular) and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Sale Capital and the Property have been pledged as security in favour of the Lender for certain debts of the Company which is already overdue. The Lender has indicated to the Company that if the Company fails to settle the outstanding loan by June 2022, the Lender may consider taking action in enforcing its security over the Property. The Board considers that the realisation value of the Property in the event of a forced sale by the Lender would likely be significantly less than the Consideration.

Throughout the past 12 months, COVID-19 pandemic had caused a wide spread lockdown in various cities and provinces in the PRC. The Company was approached by five potential purchasers of the Property and having considered the consideration and payment terms offered by these potential purchasers, the offer from the Purchaser was the best offer received by the Company and thus the Board is of the view that the terms offered by the Purchaser is in the best interest of the Company and the Shareholders as a whole. At the time when the Company was negotiating with the Purchaser, the general sentiment over the property market in Xi'an was poor with the fear of large scale lockdown of Xi'an being a constant threat. As such, despite the consideration of RMB132,372,708.56 which is equivalent to approximately HK$ 162.9 million based on the exchange rate of RMB1: HK$1.23 as at 31 March 2022, represents a discount of approximately 34% to the adjusted net asset value of the Target Company as at 31 March 2022 (details of the such adjustments are set out in details below), given the above factors and for the reasons as stated in the section headed "Reasons for and Benefits of the Disposal" in this letter, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (including but not limited to the Consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

**Conditions precedent**

The Sale and Purchase Agreement shall become valid upon the Sale and Purchase Agreement and the transactions contemplated therein having been approved by the Shareholders at the SGM.

**Completion of transfer of Sale Capital**

Completion will take place within fifteen business days after the satisfaction of the condition precedent to the Sale and Purchase Agreement upon which, the transfer of the Sale Capital will be recorded in articles of association of the Target Company and registered with the Economic Development Zone Branch of Xi'an Market Supervision and Administration Bureau while the Consideration will be paid.

Upon Completion, the Group will cease to hold any equity interest in the Target Company.

## PROVISION OF FACILITIES

As a separate and independent arrangement, the Purchaser has agreed to lend up to RMB100,000,000 (the "**Facility**") and procure an entrusted loan from a third party to lend up to RMB187,627,291.44 (the "**Entrusted Loan**") to the Target Company for settlement of certain outstanding debts of the Target Company. Such facilities provided by the Purchaser shall be applied to settle the amount due by the Target Company to its creditors. The provision of the Facility and the Entrusted Loan is independent of the Disposal and will be drawn down by the Target Company regardless of whether Completion will take place. The Facility will be unsecured and subject to an interest of 15% per annum with a term of 18 months. The Entrusted Loan will be subject to an interest of 15% and a handling fee of 0.2% of the loan amount of the Entrusted Loan and will be secured, initially by a second mortgage over the Property and after the discharge in full of the loans due to the Lender, by a first mortgage over the Property and by an equity charge over the Sale Capital. The term of the Entrusted Loan shall be 12 months.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in the holding of the Property known as Chinlink International Centre# (普匯中金國際中心) located in the Xi'an Economic and Technological Development Zone, the PRC, being one of the investment properties of the Group. The Property covers an area of 9,100 square meters (about 13.65 acres), with a total construction area of about 55,490 square meters with approximately 300 parking spaces. Since the second quarter of 2020, the Property started to generate rental and management services income to the Group. However, due to the outbreak of the COVID-19 pandemic, there had been a delay in the commencement of lease of the Property and accordingly the receipt of rental and management services income from all tenants was delayed.

**Financial information of the Target Company**

The unaudited financial information of the Target Company for the two years ended 31 March 2022 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

| | For the year ended 31 March 2022 *HK$'000* (unaudited) | For the year ended 31 March 2021 *HK$'000* (unaudited) |
|---|---|---|
| Revenue | 7,207 | 4,186 |
| Profit (loss) before taxation | (95,554) | 11,246 |
| Profit (loss) after taxation | (70,831) | 4,709 |

The unaudited net asset value of the Target Company as at 31 March 2022 was approximately HK$386,668,000.

**FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Upon Completion, the Company shall cease to have any equity interest in the Target Company and the Target Company shall cease to be a subsidiary to be accounted for in the financial results of the Company.

The Group is expected to record an unaudited loss on the Disposal of approximately HK$86.5 million. Such unaudited loss is estimated based on gross proceeds from the Disposal of approximately HK$162.9 million (equivalent to approximately RMB132.4 million) less the adjusted net carrying value of the Target Company to be disposed of approximately HK$247.9 million as at 31 March 2022, (adjusted for: (i) certain property, plant and equipment which will not be included in the Disposal of approximately HK$7.9 million; (ii) waiver of the amount due from the Company of approximately HK$99.1 million; and (iii) the adjustment on the release of translation reserve upon the Disposal of approximately HK$31.7 million), and after deducting the expenses directly attributable to the Disposal in aggregate of approximately HK$1.5 million. The actual amount of loss on the Disposal to be recorded by the Group will depend on the net carrying value of the Target Company as at the date of Completion, which may be different from the amount mentioned above and will be subject to review and final audit by the auditors of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB131.2 million (equivalent to approximately HK$154.8 million). It is intended that the net proceeds together with funds to be provided by Mr. Li and internal resources of the Group will be used for repayment of debts to the Lender.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in property investment, provision of financial advisory services, financial guarantee services and other financial services in the PRC and Hong Kong. The Vendor is an indirect wholly-owned subsidiary of the Group, and is principally engaged in investment holding.

As disclosed in the interim report of the Company for the six months ended 30 September 2021, the Group had current liabilities of approximately HK$1,986.3 million and net current liabilities of approximately HK$999.3 million as at 30 September 2021. Among such current liabilities, approximately HK$679.5 million have been overdue (including the amount due to the Lender in the amount of approximately HK$375.2 million) as at 30 September 2021. The Group has been exploring various means to repay its indebtedness and to improve its liquidity by, among other matters, accelerating the pre-sales of the serviced apartments of the phase two development of Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) project, soliciting different sources of funds including additional banking facilities, seeking consent from its lenders and creditors (including the Lender) to extend the repayment dates and disposing of the Group's business and/or assets etc.

The Company had encountered some very challenging business environment as the COVID-19 pandemic continues to affect the PRC and Hong Kong. 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 presale proceeds, difficulties on the part of end-use buyers in market to raise funds for financing purchases and the increasing defaults of major developers in both onshore and offshore markets. The overall China real estate market witnessed an unusual decline in first-hand property sales and price drop which also greatly affected the Group's property portfolio and property sales.

The Board believes that given the general negative sentiment to the PRC property market in the last 12 months and the financial status of the Company, the Disposal would allow the Group to realise the investment in the Target Company and the Property to repay the outstanding debt due by the Company to the Lender. Such debt was obtained from the Lender as part of the loan refinancing of the Group which took place in 2019 and is secured by, among others, the Sale Capital and the Property in favour of the Lender, and is already overdue. Due to the restriction on offshore borrowing with onshore property as security, the Company was unable to secure financing from other financial institutions and resorted to borrowing from the Lender. The Lender has indicated to the Company that if the Company fails to settle the outstanding loan by June 2022, the Lender may consider taking action in enforcing its security over the Property. The Board considers that the realisation value of the Property in the event of a forced sale by the Lender would likely be significantly less than the Consideration and hence the Board considers that the Consideration, despite being a discount to the net asset value of the Target Company, and the Disposal will enable the Company to reduce its indebtedness, lower its finance costs, improve the liquidity and overall financial position of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As an alternative, the Board had been looking for refinancing options for the loan from the Lender since 2020 and had approached various financial institutions including licenced banks, private equity, hedge funds and asset management companies and had explored different ways of refinancing such as private debts placements and cross-border structured finance. However, for reasons such as delay in the issue of title documents on the Property due to COVID-19, poor sentiment of the property market in China and stringent risk management for PRC related real estate finance, the Company was unable to refinance the Property and disposal of the Property became the only viable option to the Board.

The Disposal will not affect the core business of the Group which comprises property investment, provision of financial advisory services, financial guarantee services and other financial services businesses in the PRC and Hong Kong.

With regard to the aforementioned, the Directors (including the independent non-executive Directors) believe that despite the discount to the net asset value of the Target Company, the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, other than the Disposal, the Company has no definitive plan to dispose of its business or financial assets for debt repayment. However, the Company may seek financial support from its substantial shareholders or other banks and financial institutions for debt repayment or refinancing. Should the Company decide to dispose of any of its business, disposal of non-profit making business of the Group would be the preferred option.

## LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to the reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the SGM. During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 June 2022.

## SGM

The SGM will be convened and held at Suite 5-6, 40/F., One Exchange Square, 8 Connanght Place, Central, Hong Kong on Friday, 10 June 2022 at 10:30 a.m. for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

The voting in respect of the Disposal at the SGM will be conducted by way of poll. To the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, none of the Shareholders or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and thus no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof (as the case may be) should you so desire.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

## RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
**Chinlink International Holdings Limited**
**Mr. Li Weibin**
*Chairman and Executive Director*

## I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2021 are disclosed in the annual reports of the Company for the years ended 31 March 2019, 2020 and 2021 and the interim report of the Company for the six months ended 30 September 2021, respectively.

The said annual reports of the Group are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinlinkint.com):

- annual report of the Company for the year ended 31 March 2019 published on 29 July 2019 (pages 110 to 383) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltn20190729195.pdf);

- annual report of the Company for the year ended 31 March 2020 published on 30 July 2020 (pages 109 to 403) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073000724.pdf);

- annual report of the Company for the year ended 31 March 2021 published on 30 July 2021 (pages 107 to 399) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0730/2021073000690.pdf); and

- interim report of the Company for the six months ended 30 September 2021 published on 30 December 2021 (pages 35 to 108) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1230/2021123000458.pdf).

## II. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2022, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the publication of this circular, the Group had outstanding borrowings comprising the following:

| | *HK$'000* |
|---|---|
| Bank borrowings, secured and guaranteed | 637,019 |
| Bank borrowings, unsecured and guaranteed | 58,954 |
| Bank overdraft, secured and guaranteed | 11,987 |
| Amounts due to related companies, unsecured and unguaranteed *(note 1)* | 433,452 |
| Other borrowings, unsecured and unguaranteed *(note 2)* | 409,201 |
| Other borrowings, secured and guaranteed (*note 2)* | 576,716 |
| Loans from staff of the Group, unsecured and unguaranteed | 29,213 |
| 6.5% coupon bonds, secured and guaranteed | 128,489 |
| 13.0% coupon bonds, secured and guaranteed | 261,125 |
| Lease liabilities | 11,771 |
| Amounts due to directors, unsecured and unguaranteed | 26,289 |

*Notes:*

1. Amounts due to related companies are non-trade in nature.

2. Other borrowings represent amount due to non-banking financial institution.

**Bank borrowings, other borrowings and coupon bonds**

The Group's secured bank borrowings, bank overdraft, other borrowings and coupon bonds were secured by (i) the Group's property, plant and equipment; (ii) the Group's investment properties and (iii) equity interest of certain Group's wholly owned subsidiaries and guaranteed by Mr. Li, the ultimate controlling shareholder.

The Group has defaulted in repayment of principal and interests of 13.0% coupon bonds of amounting to approximately US$33.4 million (equivalent to approximately HK$261.1 million) during the year ended 31 March 2022 which outstanding amounts of coupon bonds of approximately US$33.4 million (equivalent to approximately HK$261.1 million) as at 31 March 2022 remain outstanding. The Group has been negotiating with the financial institution for extension of the principal but these negotiations had not been concluded at the Latest Practicable Date.

The Group has defaulted in repayment of interests of other borrowings, secured and guaranteed amounting to approximately US$4.3 million (equivalent to HK$34.0 million) during the year ended 31 March 2022 which outstanding amount of approximately US$51.4 million (equivalent to HK$402.2 million) as at 31 March 2022 remain outstanding. The Group has obtained a standstill letter from financial institution in 30 November 2021 to extend the original repayment schedule to 30 June 2022.

The Group has defaulted in repayment of principal of other borrowings, unsecured and guaranteed amounting to approximately HK$1.0 million during the year ended 31 March 2022 which outstanding amount of approximately HK$1.0 million as at 31 March 2022 remain outstanding. The Group has been negotiating with the financial institution for extension of the principal but these negotiations had not been concluded at the Latest Practicable Date.

The Group has defaulted in repayment of principal of bank borrowings, secured and guaranteed amounting to approximately RMB39.6 million (equivalent to HK$48.7 million) during the year ended 31 March 2022 which outstanding amount of approximately RMB517.6 million (equivalent to HK$637.0 million) as at 31 March 2022 remain outstanding. The Group (i) has signed an extension agreement to extend original repayment schedule of the bank borrowings of approximately RMB10.0 million and RMB13.6 million respectively (equivalent to HK$12.3 million and HK$16.7 million) to 12 April 2023 and 27 March 2024 respectively, (ii) has settled the outstanding amount of approximately RMB4.5 million (equivalent to HK$5.5 million on or before the Latest Practicable Date, and (iii) remaining balance of approximately RMB118.0 million (equivalent to HK$145.2 million) has been negotiating with the bank for extension of the interests and principal but these negotiations had not been concluded at the Latest Practicable Date. The Directors are confident that their negotiations with the bank will ultimately reach a successful conclusion and believe that adequate alternative sources of finance are available to repay the interests and ensure that there is no threat to the continuing operations of the Group should the lenders call for immediate repayment of the corresponding borrowings.

**Contingent liabilities**

As at 31 March 2022, the Group has entered into agreements with banks and other lenders in respect of its financing guarantee services to provide corporate guarantees with respect to bank loans granted to independent third parties and related companies. The maximum liabilities of the Group as at 31 March 2022 under these guarantees is approximately HK$221.4 million and such guarantees were secured by pledged bank deposit of the Group of approximately HK$191.3 million.

**Disclaimer**

Save as aforesaid above and apart from intra-group liabilities, at the close of business on 31 March 2022, the Directors confirmed that the Group did not have any other debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade payables) or acceptances credits, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

## III. WORKING CAPITAL

As set out in the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2021, out of the approximately HK$1,015.2 million of borrowings and approximately HK$373.2 million of bonds in current liabilities, approximately HK$426.9 million of borrowings and approximately HK$252.6 million of bonds were defaulted and become immediately repayable on demand. As at 30 September 2021, the Group's cash and cash equivalents amounted to approximately HK$40.4 million only. The above condition indicated the existence of material uncertainties which may cash significant doubt on the Group's ability to continue as a going concern.

In preparing the working capital forecast for the Group for the 12 months from the date of this Circular, the Group is carrying out the following measures for the purpose of ensuring there are sufficient working capital for at least the next 12 months from the date of the Circular:

(i) the Group is seeking to accelerate the pre-sales of the service apartments of the Phase Two Development. Overall, the Group gradually received 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;

(iii) the Group has requested for extending the repayment of the outstanding bond and borrowings of approximately HK$261.1 million and HK$166.3 million respectively total bond and borrowing balance requesting for extension but not yet concluded which is under default and maturity date within twelve months on or before 31 March 2022. The Directors are confident in further extending the repayment of the principals of the borrowings taking into consideration long term relation with the lender. However, the terms were not finalised as at the Latest Practicable Date.

(iv) the Group has received a written confirmation dated 24 May 2022 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 circular;

Taking into considerations of item (i) to (iv) above, and (v) the present financial resources; (vi) the estimated net proceeds from the Disposal and if applicable; (vii) the continuing financial support from Mr. Li, the ultimate controlling shareholder and an executive Director of the Company, totaling approximately HK$320 million pursuant to the written confirmation; and (viii) the assumption that the relevant lenders of the existing loans will not exercise their rights to demand immediate payment of the relevant loans prior to their scheduled contractual repayment dates, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this Circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

## IV. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, save as disclosed in the profit warning announcement of the Company dated 18 May 2022 in which it was disclosed that the Group is expected to record a loss of not less than HK$260 million for the year ended 31 March 2022 primarily due to significant drop in revenue and substantial loss on fair value of investment properties, there was no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will be more focused on expanding its financial services, especially in the China market.

2022 is a very difficult year in the global context. Inflation in the US has risen to 8.5%, the highest since 1990. It is triggered by worldwide supply chain disruption and widespread shutdowns from the COVID-19 pandemic restrictions. The deepening of the US-China rivalry not only increases the direct costs resulting from the import tariffs but also leads to a retreat from globalization and rising protectionism, such as reshoring of production base despite higher operating costs and inefficiency. The outbreak of Russia's war in Ukraine triggered the largest commodity price shock experienced worldwide since the 1990s. Hence, we see a surge in interest rates in response to sharpening inflation, adding burdens to the heavily indebted businesses, and posting a grave danger of a recession on a global scale.

China projects a GDP growth of 5.5% for 2022. However, the recent Omicron wave has cut growth. Its tightened lockdown measures and travel restrictions hampered business activities, production, and exports, as well as private consumption. The property sector remained depressed, with falling home sales and new home prices. However, the central government recently released a series of macro policies and stimulus plans that will likely stabilize growth to achieve this year's target.

Because of this complex business outlook, the Group has already decided on a strategy to sell and dispose of some of the capital-intensive investments in properties as a hedge against a further downturn in the property market. Proceeds from the sales and disposals will apply for debt repayments and additional cash flow for Group operation.

We launched the presale of a residential project in Xi'an, the phase two development of the Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch), in the third quarter of last year. Unfortunately, the market has not been favourable and the progress of the sale is far from satisfactory. We are constantly reviewing the marketing and sales schemes to accommodate the market situation, hoping to recap the investment as soon as practical.

On the other hand, we entered into the Sale and Purchase Agreement in April and target to complete the Disposal as early as in June, with the proceeds to repay an underlined borrowing and the balance to improve the Group's liquidity.

The joint venture project with the Hanzhong Municipal Government is still in progress. There has been a considerable delay due to the Covid-19 lockdown. The project includes the setting up of a Public-Private Partnership ("**PPP**") joint venture to take over the assets of Chinlink•Worldport Integrated Logistics Park ("**Chinlink•Worldport**") and to merge with the Hanzhong Baohe Logistics Park which is owned and operated by the Hanzhong government. The Group will be responsible for the future development and overall management including the Chinlink•Worldport, with the financial and resources backups from the Hanzhong Municipal Government. The Group will have a minor equity interest in the PPP and an in-kind contribution of the Group's investment in lands and properties in Chinlink•Worldport. We anticipate the PPP joint venture could provide upfront cash flow and recurrent incomes to the Group from next year onwards.

Another major strategic decision of the Group is to focus more on the asset management business in China onshore. During the last two years, our financial advisory had been very successful in bringing offshore investors to invest in Chinese technology companies. From early last year, China imposed a host of regulatory scrutiny targeted at the technology, internet, tutoring industry, and delivery platforms sectors. Stocks of those affected companies had taken a heavy toll. International capitals have been pulling back from further investment in Chinese companies in light of the policy uncertainty. Whereas the capital market in China remains very robust. In line with the Government's 14th 5-year development plan which emphasises internal circulation, technological self-sufficiency and national security, lots of onshore Chinese capital are chasing after homegrown companies specialized in new technologies, green energies, artificial intelligence, semiconductors etc. We will strengthen the China onshore asset management operations to identify later stage growing companies in these categories and invest through venture capital funds. We anticipate such business to provide constant management incomes and upside gains within a reasonable time frame.

## UNAUDITED FINANCIAL INFORMATION OF REAL KING INTERNATIONAL (XI'AN) INFORMATION TECHNOLOGY COMPANY LIMITED(匯景國際(西安)信息科技有限公司)

Set out below are the unaudited consolidated statements of financial position of Real King International (Xi'an) Information Technology Company Limited*(匯景國際(西安)信息科技有限公司)(the "**Target Company**") as at 31 March 2020, 2021 and 2022, and the unaudited consolidated statements of profit or loss and other comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows of the Target Company for the years ended 31 March 2020, 2021 and 2022 (the "**Relevant Periods**"), and explanatory notes (collectively referred to as the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and prepared on the basis set out in note 2 to the Unaudited Financial Information. The Unaudited Financial Information is prepared by the Directors solely for the purposes of inclusion in this circular in connection with the disposal of 100% equity interest in the Target Company.

HLB Hodgson Impey Cheng Limited, Certified Public Accountants, the auditor of the Company, was engaged to review the Unaudited Financial Information of the Target Company set out on pages II-1 to II-9 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Financial Information of the Target Company, nothing has come to the auditor's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

* *for identification purpose only*

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 March | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | – | 4,186 | 7,207 |
| Cost of sales | – | (514) | (1,376) |
| Gross profit | – | 3,672 | 5,831 |
| Other income, gain and loss | 27 | 2,668 | (15,560) |
| Gain/(loss) on fair value change of investment properties | 84,138 | 26,150 | (57,671) |
| Allowance under expected credit loss model, net of reversal | – | (65) | 27 |
| Selling and distribution expenses | (159) | – | (365) |
| Administrative expenses | (2,128) | (5,613) | (6,066) |
| Finance costs | (11,084) | (15,566) | (21,750) |
| **Profit/(loss) before taxation** | 70,794 | 11,246 | (95,554) |
| Taxation | (21,034) | (6,537) | 24,723 |
| **Profit/(loss) for the year** | 49,760 | 4,709 | (70,831) |
| **Other comprehensive (expense)/income, net of tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | (26,173) | 33,096 | 17,597 |
| **Other comprehensive (expense)/income for the year** | (26,173) | 33,096 | 17,597 |
| **Total comprehensive income/(expense) for the year attributable to owners of the Company** | 23,587 | 37,805 | (53,234) |

## STATEMENTS OF FINANCIAL POSITION

| | As at 31 March | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 69,295 | 79,136 | 80,240 |
| Investment properties | 668,048 | 751,775 | 669,477 |
| | 737,343 | 830,911 | 749,717 |
| **Current assets** | | | |
| Trade receivables | – | 109 | 107 |
| Trade receivables from related companies | – | 3,325 | – |
| Other receivables, deposits and prepayments | 527 | 809 | 3,121 |
| Amount due from an intermediate holding company | – | 33,032 | 99,093 |
| Amounts due from fellow subsidiaries | 663 | 3,705 | 3,521 |
| Cash and cash equivalents | 290 | 791 | 1,061 |
| | 1,480 | 41,771 | 106,903 |
| **Current liabilities** | | | |
| Other payables and accruals | 6,217 | 12,834 | 11,946 |
| Construction cost accruals | 82,989 | 88,356 | 33,237 |
| Receipts in advance | 1,018 | 955 | 3,411 |
| Deposits received from customers | 3,400 | 6,994 | 3,476 |
| Amounts due to fellow subsidiaries | 44,146 | 48,060 | 46,929 |
| Amount due to related companies | – | 72,348 | – |
| Other borrowings | – | – | 62 |
| Deferred revenue | – | 6,379 | – |
| | 137,770 | 235,926 | 99,061 |
| **Net current liabilities** | (136,290) | (194,155) | 7,842 |
| **Total asset less current liabilities** | 601,053 | 636,756 | 757,559 |

| | As at 31 March | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 25,807 | 34,744 | 11,100 |
| Amount due to related companies | 30,827 | – | 359,791 |
| Other borrowings | 142,322 | 152,542 | – |
| Deferred revenue | – | 9,568 | – |
| | 198,956 | 196,854 | 370,891 |
| **Net assets** | 402,097 | 439,902 | 386,668 |
| **EQUITY** | | | |
| Share capital | 155,436 | 155,436 | 155,436 |
| Reserves | 246,661 | 284,466 | 231,232 |
| **Total equity** | 402,097 | 439,902 | 386,668 |

## STATEMENTS OF CHANGES IN EQUITY

| | Share capital *HK$'000* | Share premium *HK$'000* | Exchange reserve *HK$'000* | Retained earnings *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| At 1 April 2019 | 155,436 | 404 | 7,189 | 215,481 | 378,510 |
| Profit for the year | – | – | – | 49,760 | 49,760 |
| Other comprehensive expense for the year, net of tax | | | | | |
| – Exchange difference on translation of foreign operation | – | – | (26,173) | – | (26,173) |
| At 31 March 2020 and 1 April 2020 | 155,436 | 404 | (18,984) | 265,241 | 402,097 |
| Profit for the year | – | – | – | 4,709 | 4,709 |
| Other comprehensive income for the year, net of tax | | | | | |
| – Exchange difference on translation of foreign operation | – | – | 33,096 | – | 33,096 |
| At 31 March 2021 and 1 April 2021 | 155,436 | 404 | 14,112 | 269,950 | 439,902 |
| Loss for the year | – | – | – | (70,831) | (70,831) |
| Other comprehensive income for the year, net of tax | | | | | |
| – Exchange difference on translation of foreign operation | – | – | 17,597 | – | 17,597 |
| As at 31 March 2022 | 155,436 | 404 | 31,709 | 199,119 | 386,668 |

## STATEMENTS OF CASH FLOWS

| | Year ended 31 March | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before taxation | 70,794 | 11,246 | (95,554) |
| **Adjustments for:** | | | |
| Bank interest income | (27) | (1) | (2) |
| Finance costs | 11,084 | 15,566 | 21,750 |
| Depreciation of property, plant and equipment | 791 | 4,141 | 4,062 |
| Allowance under expected credit losses model, net of reversal | – | 65 | (27) |
| Fair value change of investment properties | (84,138) | (26,150) | 57,671 |
| Modification of financial liabilities | – | – | 12,758 |
| Adjustment on carrying amount of other borrowing | – | (3,092) | – |
| Operating cash flows before movements in working capital | (1,496) | 1,775 | 658 |
| Change in trade receivables | – | (110) | (6) |
| Change in trade receivables from related companies | – | (3,360) | 3,360 |
| Change in prepayments, deposits and other receivables | 19,565 | (311) | (2,669) |
| Change in other payables and accruals | 950 | 11,984 | (888) |
| Change in receipt in advance | 1,018 | (63) | 2,456 |
| Change in deposit received from customers | 3,400 | 3,594 | (3,518) |
| Cash generated from/(used in) operating activities | 23,437 | 13,509 | (607) |
| PRC enterprise income tax paid | – | – | – |
| **Net cash generated from/(used in) operating activities** | 23,437 | 13,509 | (607) |

| | Year ended 31 March | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | (1,486) | (8,226) | (5,398) |
| Additions of investment properties under construction | (80,649) | – | (57,927) |
| Interest received | 27 | 1 | 2 |
| Advance to fellow subsidiaries | (663) | (3,042) | (65,520) |
| Advance to an intermediate holding company | – | (33,032) | – |
| **Net cash used in investing activities** | (82,771) | (44,299) | (128,843) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from other borrowings | 131,180 | 13,693 | – |
| Repayment of other borrowings | – | – | (21,750) |
| Advance from/(repayment to) fellow subsidiaries | 43,874 | 3,914 | (1,131) |
| (Repayment to)/advance from related parties | (132,491) | 41,521 | 114,756 |
| **Net cash generated from financing activities** | 42,563 | 59,128 | 91,875 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | (16,771) | 28,338 | (37,575) |
| Cash and cash equivalents at the beginning of the year | 16,773 | 290 | 791 |
| Effect of foreign exchange rate changes | 288 | (27,837) | 37,845 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 290 | 791 | 1,061 |

## II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Chinlink International Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted limited liability entity and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate and ultimate holding company is Wealth Keeper International Limited ("**Wealth Keeper**"), incorporated in the British Virgin Islands and the ultimate controlling shareholder of Wealth Keeper is Mr. Li Weibin ("**Mr. Li**"), the chairman and managing director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Appendix VI – General Information" in this circular.

On 29 April 2022, the Chinlink Glory Limited ("**Chinlink Glory**"), an indirect wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement with the 陝西天恒投資有限責任公司, a limited liability company established in the People's Republic of China (the "**PRC**") pursuant to which the Chinlink Glory has agreed to sell and 陝西天恒投資有限責任公司 has agreed to acquire the 100% equity interest of 匯景國際(西安)信息科技有限公司 (the "**Target Company**") for a cash consideration of RMB132.4 million (equivalent to approximately HK$156.2 million).

The Target Company is a limited liability company established in the PRC. The address of its registered office is No.132 Wenjing Road, Weiyang District, Xi'an, the PRC.

The principal business activities of the Target Company are property investment in the PRC. The financial information of the Target Company is presented in Hong Kong dollars ("**HK$**"), which is different from its functional currency of Renminbi ("**RMB**"), as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong.

### 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The financial information of the Target Company has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**") and solely for the purpose of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard ("**HKAS**") 1 "Presentation of Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It should be read in connection with annual report of the Company for the year ended 31 March 2021.

For the purpose of preparing and presenting the financial information for the three years ended 31 March 2022 (the "**Relevant Periods**"), the Disposal Company has consistently adopted the same accounting policies as set out in the audited annual report of the Company for the year ended 31 March 2021.

The financial information of the Disposal Company has been prepared on historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## (A) THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

### Introduction

The following is an illustrative and unaudited pro forma financial information of the Group excluding the Target Company upon the completion of the Disposal (the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position as at 30 September 2021, and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2021 of the Remaining Group which has been prepared to illustrate the effect of the Disposal (i) as if the Disposal had been completed on 30 September 2021 for the unaudited pro forma condensed consolidated statement of financial position, and (ii) as if the Disposal had been completed on 1 April 2020 for the unaudited pro forma condensed consolidated statement of profit or loss, the unaudited pro forma consolidated statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2021.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 September 2021 or any future date, and the financial performance and cash flows of the Remaining Group for the year ended 31 March 2021 or for any future period.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021, which has been extracted from the published interim report of the Group for the six months ended 30 September 2021, after making certain pro forma adjustments relating to the Proposed Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2021, which has been extracted from the published annual report of the Group for the year ended 31 March 2021, after making certain pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in Appendix II to this circular, the published annual report of the Group for the year ended 31 March 2021, the published interim report of the Group for the six months ended 30 September 2021, the historical financial information of the Target Company as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

**Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group**

| | The Group | The Target Company | Pro forma adjustments | | | | The Remaining Group |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (ii)* | *Note (iii)* | *Note (iv)* | *Note (v)* | *Note (vi)* | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 178,975 | 80,240 | (80,240) | 7,920 | | | 106,655 |
| Right-of-use assets | 12,120 | – | | | | | 12,120 |
| Investment properties | 4,148,095 | 669,477 | (669,477) | | | | 3,478,618 |
| Goodwill | 17,237 | – | | | | | 17,237 |
| Interest in an associate | 86,907 | – | | | | | 86,907 |
| Deposit paid for land auction | 10,807 | – | | | | | 10,807 |
| Financial assets at fair value through profit or loss | 23,826 | – | | | | | 23,826 |
| Deposits | 3,048 | – | | | | | 3,048 |
| | 4,481,015 | 749,717 | | | | | 3,739,218 |
| **Current assets** | | | | | | | |
| Properties under development for sale | 414,868 | – | | | | | 414,868 |
| Trade receivables | 31,632 | 107 | (107) | | | | 31,525 |
| Trade receivables from related companies | 2,454 | – | | | | | 2,454 |
| Loan receivables | 184,624 | – | | | | | 184,624 |
| Factoring receivables | 42,671 | – | | | | | 42,671 |
| Other receivables, deposits and prepayments | 57,036 | 3,121 | (3,121) | | | | 53,915 |
| Amounts due from the Remaining Group | – | 102,614 | (102,614) | 99,093 | 3,521 | | – |
| Pledged bank deposits | 213,226 | – | | | | | 213,226 |
| Bank balances and cash | 40,387 | 1,061 | (1,061) | 160,382 | | | 199,708 |
| | 986,898 | 106,903 | | | | | 1,142,991 |

| | The Group | The Target Company | Pro forma adjustments | | | | The Remaining Group |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (ii)* | *Note (iii)* | *Note (iv)* | *Note (v)* | *Note (vi)* | |
| **Current liabilities** | | | | | | | |
| Trade payables | 1,188 | – | | | | | 1,188 |
| Other payables and accruals | 130,657 | 11,946 | (11,946) | | | | 118,711 |
| Loan from staff | 27,433 | – | | | | | 27,433 |
| Amounts due to the Remaining Group | – | 46,929 | (46,929) | | 46,929 | | – |
| Construction costs accruals | 218,788 | 33,237 | (33,237) | | | | 185,551 |
| Receipt in advance | 15,876 | 3,411 | (3,411) | | | | 12,465 |
| Lease liabilities | 109,171 | – | | | | | 109,171 |
| Contract liabilities | 33,362 | – | | | | | 33,362 |
| Deposits received from tenants and customers | 39,976 | 3,476 | (3,476) | | | | 36,500 |
| Deferred income | 7,313 | – | | | | | 7,313 |
| Financial guarantee contracts | 10,578 | – | | | | | 10,578 |
| Tax payable | 3,441 | – | | | | | 3,441 |
| Bank and other borrowings | 1,015,256 | 62 | (62) | | | | 1,015,194 |
| 6.5% coupon bonds | 120,617 | – | | | | | 120,617 |
| 13.0% coupon bonds | 252,626 | – | | | | | 252,626 |
| | 1,986,282 | 99,061 | | | | | 1,934,150 |
| **Net current (liabilities)/assets** | (999,384) | 7,842 | | | | | (791,159) |
| **Total assets less current liabilities** | 3,481,631 | 757,559 | | | | | 2,948,059 |

| | The Group | The Target Company | Pro forma adjustments | | | | The Remaining Group |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (ii)* | *Note (iii)* | *Note (iv)* | *Note (v)* | *Note (vi)* | |
| **Non-current liabilities** | | | | | | | |
| Deferred income | 8,146 | – | | | | | 8,146 |
| Amounts due to directors | 27,653 | – | | | | | 27,653 |
| Construction costs accruals | 53,748 | – | | | | | 53,748 |
| Lease liabilities | 5,704 | – | | | | | 5,704 |
| Bank and other borrowings | 677,267 | – | | | | (165,613) | 511,654 |
| Amounts due to related companies | 229,765 | 359,791 | (359,791) | | | 165,613 | 35,587 |
| Deferred tax liabilities | 355,163 | 11,100 | (11,100) | | | | 344,063 |
| | 1,357,446 | 370,891 | | | | | 986,555 |
| **Net assets** | 2,124,185 | 386,668 | | | | | 1,961,504 |
| **Capital and reserves** | | | | | | | |
| Share capital | 11,693 | 155,436 | | | | | 11,693 |
| Reserves | 2,048,510 | 231,232 | | (162,681) | | | 1,885,829 |
| Equity attributable to owners of the Company | 2,060,203 | 386,668 | | | | | 1,897,522 |
| Non controlling interests | 63,982 | – | | | | | 63,982 |
| **Total equity** | 2,124,185 | 386,668 | | | | | 1,961,504 |

**Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group**

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| **Revenue** | | | | | |
| Goods and services | 170,842 | – | | | 170,842 |
| Rental | 32,341 | 7,207 | (7,207) | | 25,134 |
| Interest | | | | | |
| – Other interest revenue | 20,495 | – | | | 20,495 |
| Total revenue | 223,678 | 7,207 | | | 216,471 |
| Cost of sales | (67,738) | (1,376) | 1,376 | | (66,362) |
| **Gross profit** | 155,940 | 5,831 | | | 150,109 |
| Other income, gains and losses | (17,537) | (15,560) | 15,560 | (86,503) | (88,480) |
| Gain arising from disposal of subsidiaries, net | 15,869 | – | | | 15,869 |
| Gain/(loss) on fair value change of investment properties | 51,421 | (57,671) | 57,671 | | 109,092 |
| Gain on fair value change of put options derivative | 4,064 | – | | | 4,064 |
| Allowance under expected credit loss model, net of reversal | (5,884) | 27 | (27) | | (5,911) |
| Share of profit of an associate | 9,684 | – | | | 9,684 |
| Selling and distribution costs | (7,293) | (365) | 365 | | (6,928) |
| Administrative expenses | (103,005) | (6,066) | 6,066 | (1,477) | (98,416) |
| Finance costs | (249,971) | (21,750) | 21,750 | | (228,221) |
| **Loss before tax** | (146,712) | (95,554) | | | (139,138) |
| Income tax expense | (15,467) | 24,723 | (24,723) | | (40,190) |
| **Loss for the year** | (162,179) | (70,831) | | | (179,328) |

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| **Other comprehensive income/(expense)** | | | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | | | |
| Exchange differences arising on translation of foreign operations | 240,944 | 17,597 | (17,597) | | 223,347 |
| Share of exchange different of an investment in an associate | 6,173 | – | | | 6,173 |
| Total comprehensive expense for the year | 84,938 | (53,234) | | | 50,192 |
| **Loss for the year attributable to:** | | | | | |
| Owners of the Company | (178,853) | | 70,831 | (87,980) | (196,002) |
| Non-controlling interests | 16,674 | | | | 16,674 |
| | (162,179) | | | | (179,328) |
| **Total comprehensive expense attributable to:** | | | | | |
| Owners of the Company | 54,468 | | 53,234 | (87,980) | 19,722 |
| Non-controlling interests | 30,470 | | | | 30,470 |
| | 84,938 | | | | 50,192 |

## Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| **Operating activities** | | | | | |
| Loss before taxation | (146,712) | (95,554) | 95,554 | (86,503) | (137,661) |
| | (146,712) | (95,554) | | | (137,661) |
| **Adjustment for:** | | | | | |
| Interest income from money lending | (13,891) | – | | | (13,891) |
| Interest income from factoring | (6,604) | – | | | (6,604) |
| Bank interest income | (4,757) | (2) | 2 | | (4,755) |
| Finance costs | 249,971 | 21,750 | (21,750) | | 228,221 |
| Share of loss of an associate | (9,684) | – | | | (9,684) |
| (Gain)/loss on disposal of a subsidiary | (15,869) | – | | 86,503 | 70,634 |
| Depreciation of property, plant and equipment | 7,159 | 4,062 | (4,062) | | 3,097 |
| Depreciation of right-of-use assets | 9,980 | – | | | 9,980 |
| (Gain)/loss on disposal of property, plant and equipment | (42) | – | | | (42) |
| Loss on fair value change of financial assets at fair value through profit or loss, net | 307 | – | | | 307 |
| Allowance under expected credit losses model, net of reversal | 5,884 | (27) | 27 | | 5,911 |
| Gain on non-substantial modification of financial liabilities measured at amortised cost | – | 12,758 | (12,758) | | (12,758) |
| (Gain)/loss on fair value change of investment properties | (51,421) | 57,671 | (57,671) | | (109,092) |
| Gain on fair value change of put option derivative | (4,064) | – | | | (4,064) |
| Realised loss from financial assets at fair value through profit or loss | 428 | – | | | 428 |
| Adjustment on carrying amount of amount due to a director | (1,665) | – | | | (1,665) |
| Adjustment on carrying amount of other borrowings | (3,092) | – | | | (3,092) |
| **Operating loss before changes in working capital** | 15,928 | 658 | | | 15,270 |

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| Decrease/(increase) in trade receivables | 440 | (6) | 6 | | 446 |
| Increase/(decrease) in trade receivables from related companies | (5,417) | 3,360 | (3,360) | | (8,777) |
| Increase in other receivables, deposits and prepayments | (17,662) | (2,669) | 2,669 | | (14,993) |
| Increase in loan receivables | (85,672) | – | | | (85,672) |
| Increase in factoring receivables | (10,913) | – | | | (10,913) |
| Increase in trade payables | 182 | – | | | 182 |
| Decrease/(increase) in receipts in advance | (4,514) | 2,456 | (2,456) | | (6,970) |
| Increase in contract liabilities | 6,898 | – | | | 6,898 |
| Increase/(decrease) in deposits received from tenants | 4,322 | (3,518) | 3,518 | | 7,840 |
| Increase/(decrease) in other payables and accruals | 5,229 | (888) | 888 | | 6,117 |
| Decrease in financial guarantee contracts | (664) | – | | | (664) |
| **Net cash used in operations** | (91,843) | (607) | | | (91,236) |
| Hong Kong Profits Tax paid | (270) | – | | | (270) |
| PRC income tax paid | (3,007) | – | | | (3,007) |
| Interest received | 12,652 | – | | | 12,652 |
| **Net cash used in operating activities** | (82,468) | (607) | | | (81,861) |

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| **Investing activities** | | | | | |
| Net cash inflow from disposal of a subsidiary | 18,762 | – | | | 18,762 |
| Proceeds from disposal of property, plant and equipment | 81 | – | | | 81 |
| Proceeds from disposal of financial assets at fair value through profit or loss | 2,149 | – | | | 2,149 |
| Interest received | 4,757 | 2 | (2) | | 4,755 |
| Purchase of property, plant and equipment | (18,929) | (5,398) | 5,398 | | (13,531) |
| Additions of investment properties under construction | (18,858) | (57,927) | 57,927 | | 39,069 |
| Placement of pledged bank deposits | (309,652) | – | | | (309,652) |
| Withdrawal of pledged bank deposits | 351,991 | – | | | 351,991 |
| Purchase of financial assets at fair value through profit or loss | (2,577) | – | | | (2,577) |
| Advance to the Remaining Group | – | (65,520) | 65,520 | | 65,520 |
| **Net cash generated from/(used in) investing activities** | 27,724 | (128,843) | | | 156,567 |

| | The Group | The Target Company | Pro forma adjustments | | The Remaining Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (i)* | *Note (vii)* | *Note (viii)* | *Note (iv)* | |
| **Financing activities** | | | | | |
| Proceeds from issue of 6.5% Coupon bonds, net of expense | 66,500 | – | | | 66,500 |
| Interest paid | (200,530) | – | | | (200,530) |
| New other borrowings raised | 151,966 | – | | | 151,966 |
| New bank borrowings raised | 26,645 | – | | | 26,645 |
| Repayment of other borrowings | (159,809) | (21,750) | 21,750 | | (138,059) |
| Repayment of bank borrowings | (45,835) | – | | | (45,835) |
| Loans from staff | 5,869 | – | | | 5,869 |
| Advances from related companies | 447,563 | – | | | 447,563 |
| Repayment of advances from related companies | (475,608) | – | | | (475,608) |
| Advance from directors | 97,722 | – | | | 97,722 |
| Repayment to directors | (72,990) | – | | | (72,990) |
| Repayment of lease liabilities | (9,887) | – | | | (9,887) |
| Repayment of loans from staff | (4,702) | – | | | (4,702) |
| Bank overdraft raised | 16,290 | – | | | 16,290 |
| Repayment of bank overdraft | (13,193) | – | | | (13,193) |
| Repayment of 9.0% coupon bonds | (100,000) | – | | | (100,000) |
| Proceeds from issue of shares upon rights issue | 333,247 | – | | | 333,247 |
| Transaction costs attributable to issue of shares upon rights issue | (5,789) | – | | | (5,789) |
| Acquisition of additional interests in a subsidiary | (97) | – | | | (97) |
| Advance from the Remaining Group | – | 114,756 | (114,756) | | (114,756) |
| Repayment to the Remaining Group | – | (1,131) | 1,131 | | 1,131 |
| **Net cash generated from/(used in) financing activities** | 57,362 | 91,875 | | | (34,513) |
| **Net decrease in cash and cash equivalents** | 2,618 | (37,575) | | | 40,193 |
| **Cash and cash equivalents at 1 April** | 25,382 | 791 | | | 25,382 |
| Effect of foreign exchange rates changes | 1,165 | 37,845 | | | 1,165 |
| **Cash and cash equivalents at 31 March, represented by bank balances and cash** | 29,165 | 1,061 | | | 66,740 |

*Notes:*

i. The unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 is extracted from the interim report of the Company for the six months ended 30 September 2021 and its audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year ended 31 March 2021 are extracted from the annual report of the Company for the year ended 31 March 2021 and rounded to the nearest HK$'000.

ii. The amounts are extracted from the unaudited statement of financial position of the Target Company as at 31 March 2022 as set out in Appendix II to this circular.

iii. The adjustment represents the exclusion of the assets and liabilities of the Target Company as at 31 March 2022, assuming the Disposal had taken place on 30 September 2021.

iv. The adjustments reflect the cash consideration received upon completion of the Disposal amounting to approximately RMB132,373,000 (equivalents to approximately HK$162,920,000), and estimated loss on Disposal of which approximately HK$86,503,000. The calculation of the pro forma loss on Disposal is stated as follows, assuming the Disposal had taken place on 30 September 2021:

The calculation for the estimated loss on the Disposal is set out below:

| Consideration: | *RMB'000* | *HK$'000* |
|---|---|---|
| **Cash consideration** | 132,373 | 162,920 |

| | |
|---|---|
| **Calculation of estimated loss on Disposal:** | |
| Net assets of the Target Company as at 31 March 2022 *(note a)* | 386,668 |
| Less: elimination of amounts due from Remaining Group *(note b)* | (99,093) |
| Less: elimination of adjustment of certain portion of the plant and equipment of the Target Company to plant and equipment of the Remaining Group *(note c)* | (7,920) |
| Less: cumulative foreign exchange translation different of the Target Company recycled to profit or loss *(note d)* | (31,709) |
| | 247,946 |
| Less: cash consideration | (162,920) |
| Add: estimated professional fees and other expenses directly *(note e)* | 1,477 |
| | 86,503 |
| **Estimated loss arising on the Disposal:** | |
| Cash to be received | 162,920 |
| Less: bank balances and cash disposed of | (1,061) |
| Less: estimated professional fees and other expenses directly | (1,477) |
| Estimated proceeds arising on Disposal upon completion as at 30 September 2021 | 160,382 |

*Note a:* The amount represents the net assets of Target Company as at 31 March 2022 as extracted from the unaudited statement of financial position of the Target Company set out in Appendix II to this circular.

*Note b:* A portion of intercompany balances between the Target Company and the Remaining Group should be cleared upon Completion. The amounts represented the waiver of intercompany balances between the Remaining Group and the Target Company.

*Note c:* Certain portion of the plant and equipment with a carrying amount of approximately HK$7,920,000 has been utilised by the Group and classified as the Group's plant and equipment. The adjustment represents the exclusion of carrying amount of such portion of the plant and equipment classified as plant and equipment by the Group of approximately HK$7,920,000, assuming the Disposal had taken place on 30 September 2021.

*Note d:* The amount comprises of the carrying amount exchange reserve upon the Disposal as at 30 September 2021.

*Note e:* The adjustment represents the recognition of the estimated transactions costs of approximately HK$1,477,000, including but not limited to legal and professional fees, directly attributable to the Disposal as estimated by the Directors.

v. The adjustment represents the reinstatement of intra-group current account balances, which have been eliminated at consolidation. In particular, the adjustment on "Amounts due from the Remaining Group" comprises amounts due from the fellow subsidiary owned by the Target Company of approximately HK$3,521,000, and the adjustment on "Amounts due to the Remaining Group" comprises amounts due to the fellow subsidiaries owned by the Target Company of approximately HK$46,929,000.

vi. The adjustment represents the reclassification of other borrowings of approximately HK$165,613,000 to amounts due to related companies.

vii. The amounts are extracted from the unaudited statement of profit or loss and other comprehensive income and unaudited statement of cash flow of the Target Company as at 31 March 2022 as set out in Appendix II to this Circular.

viii. The adjustment represents the exclusion of the unaudited annual results of the continuing operation and cash flows of the Target Company for the year ended 31 March 2022, assuming the Disposal had taken place on 1 April 2020. The results of the continuing operation and cash flows of the Target Company are extracted from the unaudited statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of the Target Company for the year ended 31 March 2022 set out in Appendix II to this circular.

## (B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

*The following is the text of the independent reporting accountants' assurance report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

**To the Directors of Chinlink International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chinlink International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2021 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 March 2021 and related notes as set out on pages III-1 to III-12 of the circular issued by the Company dated 25 May 2022 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 to III-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group's financial position as at 30 September 2021 as if the Disposal had taken place as at 30 September 2021 and on the Group's financial performance and cash flows as if the Disposal had taken place as at 1 April 2020. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 September 2021, on which a review report has been published, and the Group's consolidated financial statements for the year ended 31 March 2021, on which an auditor's report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 September 2021 or 1 April 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*
Hong Kong
25 May 2022

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon Completion, the Remaining Group shall continue to be principally engaged in property investment, provision of financial advisory services, financial guarantee services and other financial services in the PRC and Hong Kong.

Set out below is the management discussion and analysis on the Remaining Group for each of the three years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

## (I) FOR THE YEAR ENDED 31 MARCH 2019

### Results

For the financial year ended 31 March 2019 ("**FY 2019**"), the Remaining Group's revenue was HK$1,750.3 million, reflecting a significant increase of 39.2% from HK$1,257.7 million in the financial year ended 31 March 2018 ("**FY 2018**"). Revenue contribution by segments comprised of: international trading of HK$1,551.0 million (FY 2018: HK$1,115.9 million), property investment of HK$104.0 million (FY 2018: HK$92.8 million), finance lease service of HK$32.6 million (FY 2018: 8.8 million), financial advisory services of HK$24.5 million (FY 2018: HK$5.7 million), financial guarantee services of HK$18.9 million (FY 2018: HK$17.0 million), logistics services of HK$0.3 million (FY 2018: HK$0.9 million) and other revenue of HK$19.0 million (FY 2018: HK$16.6 million).

Gross profit for the FY 2019 increased significantly to HK$216.2 million, up 46.9% from HK$147.2 million in the FY 2018. Also, gross profit margin increased slightly to 12.4% from 11.7% in the FY 2018.

The increase in both overall revenue and gross profit was mainly due to (i) a surge in contribution from international trading business; (ii) an increase in revenue from finance lease business and financial advisory business which commenced contribution to the Remaining Group since the second half of FY 2019; and (iii) an increase in revenue generated from property investment business as there was a noticeable increment in per-unit rental and building management fee recorded by the investment property owned by the Remaining Group, namely Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) ("**Commercial Complex**") during the FY 2019.

Other income, gains and losses recorded a loss of HK$3.5 million (FY 2018: a income of HK$88.9 million) for the FY 2019, mainly attributable to exchange loss arising from depreciation of Renminbi ("**RMB**") against Hong Kong dollars during the FY 2019, which partially offset by the interest income from bank deposit and amounts due from former subsidiaries and also write back of payables.

Gain on fair value change of investment properties amounted to HK$213.6 million (FY 2018: HK$153.8 million) for the FY 2019. It was mainly attributable to a fair value change of the Commercial Complex and the investment property owned by the Remaining Group, namely Chinlink•Worldport Integrated Logistics Park ("**Chinlink•Worldport**").

Impairment losses on financial assets in the FY 2019 mainly represented provision made for the amounts due from former subsidiaries.

Administrative expenses amounted to HK$131.5 million for the FY 2019, representing an increase of HK$28.7 million as compared with HK$102.8 million of the FY 2018. The increase was mainly due to business expansion of the Remaining Group, for instance, through acquisition of MCM Holdings Limited and its subsidiaries ("**MCM Group**") in the second half of the FY 2018.

Finance costs amounted to HK$189.7 million for the FY 2019, representing a significant increase of HK$26.5 million as compared with HK$163.2 million in the FY 2018. The increase was mainly due to (i) the non-cash imputed interest expenses of HK$32.2 million (FY 2018: HK$13.4 million) in total arising from the non-interest bearing loan from related companies, derivative financial instruments and an obligation under a put option granted to a non-controlling shareholder of a non-wholly-owned subsidiary for the FY 2019; (ii) interest in relation to 12.0% coupon bonds which were issued in December 2017; and 9.0% coupon bonds with principal amounts of HK$200.0 million and HK$150.0 million, which were issued in July 2017 and August 2017 respectively; (iii) interest related to a long-term loan of US$41.0 million drawn down in April 2018; (iv) increase in trade finance costs owing to the expansion of international trading business; and (v) interest related to the fixed return on capital injection by Hanzhong Investment (as defined below).

In respect of goodwill arising from the acquisition of MCM Group, after taking into accounts of the uncertainty of the capital market impacted by China-US trade war which emerged in May 2018, an impairment of HK$10.2 million was made for the FY 2019 after thorough consideration.

Despite the increase in finance costs and administrative expenses during the course of business expansion and the impairment of goodwill, the Remaining Group managed to make a profit for the FY 2019 of HK$9.3 million, primarily owing to the increase in revenue and gross profit, and a significant gain on fair value change of investment properties due to the steady growth of real estate market, especially in Xi'an City and Hanzhong City of Shaanxi Province, the PRC.

**Dividend**

The Directors do not recommend the payment of final dividend for the FY 2019 (FY 2018: Nil).

**Overview**

During the FY 2019 under review, the Remaining Group remained active in providing financial services that included financial guarantee, finance lease, factoring, and supply chain finance to SMEs in China, with special focus on the Shaanxi Province where the licences are granted. Besides, the Remaining Group has also been expanding into merchant banking business through MCM Group, which became our subsidiaries since November 2017.

As a result, the Remaining Group recorded a total revenue of HK$1,750.3 million for the FY 2019, represented a rise of 39.2% compared with the FY 2018. The revenue growth was brought together by the continuous good performance of international trading and property investment and the additional contribution from the two new segments, namely finance lease services and financial advisory services, both of which began to provide revenues in the second half of the FY 2018. Whilst there were also modest growth in the financial guarantee and investment property segments.

Overall speaking, the Remaining Group's financial services performance is on a healthy trend during the FY 2019 with satisfactory revenue and gross profit growth. We were able to capture the favourable market opportunity, riding on the above average economic growth in the market, mainly Xi'an and the nearby regions in Shaanxi Province.

**Segmental Performance**

***International Trading Business***

For the FY 2019, the international trading recorded a 39.0% increase in revenue to HK$1,551.0 million, being the largest income generator for the Remaining Group. Gross profit was HK$48.8 million, a 38.5% increase from the FY 2018. The gross profit margin was stable at around 3.1%. Major trading products during the FY 2019 are those highly popular critical electronic components such as IC and NAND flash memory chips widely used in smartphones, tablets and data storage and servers.

***Logistics***

For the FY 2019, the logistics services segment generated the revenue of HK$0.3 million. This segment is ancillary to the Remaining Group's international trading and financial services businesses. Therefore, it only operated in a minimal scale and does not constitute as a material profit centre.

***Financial Guarantee Services Business***

The Remaining Group generated the revenue of HK$18.9 million during the FY 2019 represented a modest increase of 11.3% compared with the FY 2018. The gross profit margin remained high at 97.7% during the FY 2019. The total outstanding guarantee amount was RMB403.5 million as of the end of the FY 2019 as compared with RMB322.5 million for the FY 2018. On 17 August 2018, Hanzhong City Investment Holdings Group Limited* ("**Hanzhong Investment**"), the investment vehicle controlled by People's Government of Hanzhong Municipality, injected RMB120.0 million to Shaanxi Chinlink Financial Guarantee Limited* (the "**Financial Guarantee Company**") (an indirect non-wholly owned subsidiary of the Company). As a result, the Hanzhong Investment holds 35.0% equity interest in the Financial Guarantee Company.

***Finance Lease Services Business***

Finance lease services business recorded a 268.9% increase in revenue to HK$32.6 million, and a gross profit of HK$32.5 million. The significant growth was due to the revenue of finance lease service business in the FY 2018 only captured 7 months contribution since the business commenced in September 2017. Total outstanding lease balance as of 31 March 2019 was RMB277.4 million, all are sale and lease back transactions with a diversified industry mix.

***Property Investment Business***

The property investment business reported a 12.0% rise in revenue to HK$104.0 million and was solely contributed by the Commercial Complex located in Xi'an. The average occupancy rate recorded around 97.0% in the FY 2019 which showed a slight increase of approximately 1.0% compared with the FY 2018. As a matter of fact, the occupancy throughout the FY 2019 has been consistently high due to its established status and successful promotion and sales program jointly organised with the tenants on regular basis.

***Financial Advisory Services Business***

This is a new business segment for the Remaining Group. For the FY 2019, MCM Group generated HK$24.5 million revenue in the form of commission and management fees, which represented an increase of 329.8% over the FY 2018. MCM Group's core businesses include financial advisory and asset management licensed under types 1, 2, 4 and 9, and regulated by the Securities and Futures Commission of Hong Kong ("**SFC**"). MCM Group experienced a year of further growth and expansion, establishing its first corporate presence in China, and applying for a private equity licence with aim to start operations in 2019. MCM Group is building a strong brand associated with leading international financial services and innovation across China.

**Liquidity, Capital Resources and Capital Structure**

As at 31 March 2019, the bank balances and cash, pledged bank deposits and restricted deposits amounted to HK$553.4 million in total, representing a decrease of HK$86.0 million from HK$639.4 million in the FY 2018. The decrease was mainly due to repayment of term loans during the FY 2019.

As at 31 March 2019, the bank and other borrowings of the Remaining Group which were mainly denominated in United States dollars ("**US$**"), HK$ and RMB amounted to HK$1,460.1 million (31 March 2018: HK$1,095.6 million), representing an increase of HK$364.5 million from that of 31 March 2018, of which HK$1,010.6 million and HK$449.5 million were repayable within one year and two to five years respectively.

The increase was mainly due to (i) a secured 2-year loan facility of US$41.0 million with interest rate 10% per annum being drawn down for refinancing certain loan granted by a related company, for the purpose of acquisition of non-controlling interest in certain subsidiaries which hold the Commercial Complex; and (ii) loan of RMB120.0 million from Hanzhong Investment but in the form of capital injection in Financial Guarantee Company. Details of which are set out below:

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

Subsequently, Hanzhong City government decided to carry out the capital injection into the Financial Guarantee Company through Hanzhong Investment and therefore the Co-operation Agreement was terminated on 17 May 2018. On the same date, Chinlink Alpha, Hanzhong Investment and the Financial Guarantee Company entered into a new financial guarantee co-operation agreement (the "**New Co-operation Agreement**") in relation to the capital injection of RMB120.0 million (equivalent to approximately HK$150.0 million) into the Financial Guarantee Company. In August 2018, Hanzhong Investment has fully injected capital of RMB120.0 million to the Financial Guarantee Company and the shareholding structure of the Financial Guarantee Company is held directly as to approximately 65.0% by Chinlink Alpha (approximately 33.2% held indirectly by the Company) and approximately 35.0% by Hanzhong Investment. Considering Hanzhong Investment is entitled to a fixed-5.0% annual return on its capital injection amount, the capital injection has the characteristic of loan. As confirmed with the auditor of the Company, it was classified as loan of the Remaining Group and the Financial Guarantee Company remains to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Remaining Group.

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

During the FY 2019, 3.0% convertible bonds ("**3.0% Convertible Bonds**") with principal amount of HK$362.25 million were fully converted to the shares of the Company. The carrying amount of such 3.0% Convertible Bonds as at the conversion date amounted to HK$287.8 million, together with the relevant convertible bonds equity reserve of HK$317.4 million and deferred tax liabilities of HK$12.7 million were transferred to share capital or share premium of the Company.

As at 31 March 2019, the Remaining Group recorded net current liabilities of HK$822.7 million (31 March 2018: HK$59.8 million) and the current ratio of the Remaining Group calculated as the Remaining Group's current assets over its current liabilities was 0.53 (31 March 2018: 0.95). The setback in the current ratio of the Remaining Group was mainly attributable to (i) the significant increase in current liabilities as a result of reclassification of certain liabilities which were non-current liabilities as at 31 March 2018 as current as they will be due within twelve months after 31 March 2019. Such liabilities were 9.0% Coupon Bonds and loan from Industrial and Commercial Bank of China (Asia) Limited amounted to HK$277.5 million as at 31 March 2018; and (ii) loan of RMB120.0 million from Hanzhong Investment but in form of capital injection in Financial Guarantee Company.

**Material acquisition or disposal of subsidiaries or associated companies during the year**

There is no material acquisition or disposal of subsidiaries or associated companies during the year.

**Gearing ratio**

The Remaining Group's gearing ratio as at 31 March 2019 was 0.61 (31 March 2018: 0.66) which was calculated based on the Remaining Group's total liabilities of HK$2,902.4 million (31 March 2018: HK$3,139.6 million) and the Remaining Group's total assets of HK$4,763.7 million (31 March 2018: HK$4,738.5 million). The slight improvement in the gearing ratio was mainly due to gain on fair value change of investment properties during the FY 2019.

**Foreign exchange risk**

The Remaining Group's revenue and expenses were mainly denominated in HK$, RMB and US$. The pledged bank deposits were denominated in US$, RMB and HK$. Other bank deposits were dominated in HK$, RMB, Macau Pataca ("**MOP**") or US$. Other monetary assets and liabilities were mainly denominated in HK$, RMB and US$. During the FY 2019, the exchange rate of RMB to HK$ depreciated slightly and MOP to HK$ was stable. As HK$ is pegged to US$, the Directors considered that the foreign currency risk of the Remaining Group was relatively low.

**Capital commitments**

As at 31 March 2019, the Remaining Group had capital commitments contracted but not provided for amounting to HK$59.9 million in respect of the development of Chinlink•Worldport. The Remaining Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholder of the Company.

**Contingent liabilities**

As at 31 March 2019, the Remaining Group has contingent liabilities in relation to corporate guarantee given to banks in respect of financial guarantee services provided to i) independent third parties; and ii) related parties of HK$465.2 million and HK$5.84 million respectively.

**Pledge of assets**

As at 31 March 2019, the Remaining Group had pledged (i) bank deposits of HK$470.5 million to certain banks as securities in return for the banks' provision of loans to the Remaining Group's financial guarantee services customers and to support the Remaining Group's international trading business; (ii) assets with carrying value of HK$3,177.6 million to secure obligations under finance leases and banking facilities; and (iii) equity interest of certain Remaining Group's wholly-owned subsidiaries to secure obligation under other borrowings amounted to HK$329.6 million.

**Share capital**

As at 31 March 2019, the authorised share capital of the Company was HK$625.0 million (31 March 2018: HK$625.0 million). There was no change in the authorised share capital of the Company during the FY 2019.

On 18 April 2018, an aggregate principal amount of HK$362.25 million of 3.0% Convertible Bonds were fully converted into 641,150,442 shares at the conversion price of HK$0.565 per conversion share. The carrying amount of such 3.0% Convertible Bonds as at the conversion date amounting to HK$287.80 million, together with the relevant convertible bonds equity reserve of HK$317.4 million and deferred tax liabilities of HK$12.7 million, were transferred to share capital or share premium of the Company. On 27 September 2018, an aggregate of 136,740,000 placing shares were allotted and issued under general mandate to not less than six placees who are independent from the Company at the placing price of HK$0.80 per placing share in accordance with the terms of the placing agreement entered into by the parties on 12 September 2018. The net proceeds from the placing amounted to approximately HK$106.0 million and was fully utilised for repayment of debts of the Remaining Group.

Except for the above mentioned, there was no other change in the number of issued shares of the Company during the FY 2019.

**Human resources**

As at 31 March 2019, the Remaining Group had 48 employees in Hong Kong, 235 employees in China and 5 employees in the United Kingdom (31 March 2018: 50 employees in Hong Kong and 261 employees in China). Employees are remunerated based on their performance and relevant working experiences, taking into account the prevailing market conditions. Discretionary performance bonus may be awarded to employees with reference to the financial performance of the Remaining Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

## (II) FOR THE YEAR ENDED 31 MARCH 2020

### Results

Upon completion of the Finance Lease Disposal (as defined below), the financial results of Chinlink Finance Lease Company Limited ("**Finance Lease Company**") for the financial year ended 31 March 2020 ("**FY 2020**") before Finance Lease Disposal (as defined below) and for the FY 2019 were reclassified to discontinued operations and the financial statements for the FY 2019 were restated. For the FY 2020, the Remaining Group's revenue from continuing operations was HK$425.5 million, reflecting a significant decrease of 75.2% from HK$1,717.7 million (restated) in the FY 2019. Revenue contribution by segments comprised of: international trading of HK$267.5 million (FY 2019: HK$1,551.0 million), property investment of HK$99.4 million (FY 2019: HK$104.0 million), financial advisory services of HK$19.3 million (FY 2019: HK$24.5 million), financial guarantee services of HK$20.0 million (FY 2019: HK$18.9 million), logistics services of HK$12,000 (FY 2019: HK$0.3 million) and other revenue of HK$19.4 million (FY 2019: HK$19.0 million).

Gross profit for the FY 2020 decreased significantly to HK$144.7 million, down 21.2% from HK$183.7 million (restated) in the FY 2019. Gross profit margin increased significantly to 34.0% from 10.7% (restated) in the FY 2019.

The decrease in both overall revenue and gross profit from continuing operations was mainly due to significant drop in revenue from international trading business and financial advisory business. Conversely, as international trading business had a low gross profit margin, the significant drop in revenue from international trading led to an increase in overall gross profit margin.

Other income, gains and losses recorded a loss of HK$0.6 million (FY 2019: HK$4.8 million (restated)) for the FY 2020, mainly attributable to exchange loss arising from the depreciation of RMB against HK$ during the FY 2020, but partially offset by (i) gain on non-substantial modification of financial liabilities measured at amortised cost; (ii) interest income from bank deposits; (iii) realised gain from financial assets at fair value through profit or loss; and (iv) foreign exchange gain from depreciation of US$ against HK$ which resulted in decrease in financial liabilities denominated in US$.

Gain on fair value change of investment properties amounted to HK$62.4 million (FY 2019: HK$213.6 million) for the FY 2020. It was mainly attributable to a fair value change of the Commercial Complex and the Chinlink•Worldport. Such gain decreased significantly because after substantial gains in the past few years, the overall momentum of the real estate prices in Xi'an City and Hanzhong City in the PRC weakened. Also, real estate markets in China was adversely affected as the threat grows from the COVID-19 pandemic.

After the Finance Lease Disposal, the Remaining Group just owned as 25% equity interests in the Finance Lease Company and the results the Finance Lease Company before and after the Finance Lease Disposal was classified as discontinued operation of the Remaining Group and share of results of and an associate, respectively. During the FY 2020, loss from discontinued operations (including loss on Finance Lease Disposal) amounted to HK$11.8 million (FY 2019: a profit of HK$7.8 million (restated) and share of profit of an associate amounted to HK$0.9 million (FY 2019: Nil)). For details, please refer to the section headed "Disposal of a Subsidiary" below.

Administrative expenses from continuing operations amounted to HK$122.0 million for the FY 2020, representing an increase of HK$14.3 million as compared with HK$107.7 million (restated) of the FY 2019. The increase was mainly due to legal and professional fee incurred for the financing activities of the Remaining Group during the FY 2020.

Finance costs from continuing operations amounted to HK$225.2 million for the FY 2020, representing a significant increase of HK$35.6 million as compared with HK$189.6 million (restated) in the FY 2019. The increase was mainly due to (i) interest incurred for a two-year credit facility of US$48.7 million obtained during the FY 2020; (ii) interest incurred for the 13.0% Coupon Bonds (as defined below) of US$30.0 million issued under the Exchange Offer (as defined below) which was completed in August 2019; and (iii) interest related to the fixed return on capital injection (which was made in August 2018) by a non-controlling shareholder of a non-wholly-owned subsidiary.

In respect of goodwill arising from the acquisition of MCM Group, after taking into accounts of the uncertain outlook of the capital market, especially the China market, impacted by US-China trade tensions which emerged since May 2018 and the adverse impact of the COVID-19 pandemic, a further impairment of HK$15.3 million was made for the FY 2020 after due consideration.

For the FY 2020, the Remaining Group recorded a loss of HK$195.2 million mainly due to (i) the down turn of international trading business; (ii) a significant decrease in gain on fair value change of investment properties; (iii) an impairment loss on goodwill; and (iv) an increase in finance cost. In FY 2019, the Remaining Group recorded a profit of HK$9.3 million, primarily owing to the increase in revenue and gross profit, and a significant gain on fair value change of investment properties.

**Dividend**

The Directors do not recommend the payment of final dividend for the FY 2020 (FY 2019: Nil).

**Overview**

During the FY 2020 under review, the Remaining Group experienced a highly challenging business environment overclouded by a slowdown of the Chinese economic growth and tight liquidity in the financial market, the unsettled trade tensions, and sometimes political jitters between the US and China, and the unabated social disturbances in Hong Kong. Yet the most massive blow undoubtedly came from the unprecedented COVID-19 pandemic outbreak since the last quarter of the FY 2020. All these negative factors have direct or indirect ramifications to the Remaining Group's business performance during the FY 2020.

During the FY 2020 under review, the Remaining Group recorded a total revenue of HK$425.5 million, represented a significant drop of 75.2% compared with the FY 2019. However, the overall gross profit margin improved notably to 34.0% due to the significant drop of revenue from a low gross profit margin segment, international trading.

Out of the Remaining Group's overall business, the international trading segment suffered the most. The Remaining Group's trading business enjoyed substantial growth in the last few years by specialising in the trading of critical electronic components which are widely used by the Chinese manufacturers in making digital electronic products which became highly vulnerable under the ongoing US-China trade tensions. It was further aggravated by the temporary factory closures and the shrinkage in worldwide consumption of electronic gadgets because of the COVID-19 pandemic. Therefore the Remaining Group had taken a very cautious approach in the FY 2020 to minimise its investment in this segment. As a result, there was a significant decline in this segment's revenue and profit.

The Remaining Group's alternative finance businesses operated in Shaanxi Province comprised of financial guarantee, finance lease and factoring. The overall performance of this business during the FY 2020 was mostly on track with last FY 2019. However, the Remaining Group encountered significant difficulties expanding the leasing and guarantee portfolios through leveraging its capital because of the tight liquidity both in the capital market and the banking sectors. Under such circumstance, the Remaining Group decided to divest the majority interest in the Finance Lease Company. On 12 December 2019, Chinlink Mega Limited ("**Chinlink Mega**"), an indirect wholly-owned subsidiary of the Remaining Group, and Xi'an Qujiang Cultural Financial Holdings Limited* ("**Xi'an Qujiang Cultural**") (which is ultimately owned by a PRC government authority) entered into a disposal agreement (the "**Finance Lease Disposal Agreement**"), according to which Chinlink Mega, the holding company of the Finance Lease Company, agreed to sell to and Xi'an Qujiang Cultural agreed to acquire 37.5% of the equity interest in the Finance Lease Company for a total cash consideration of about RMB93.2 million (equivalent to approximately HK$103.9 million) (the "**Finance Lease Disposal**"). Upon completion of the Finance Lease Disposal ("**Finance Lease Completion**") on 17 December 2019, Chinlink Mega holds 25.0% equity interest of the Finance Lease Company and the Finance Lease Company ceased to be a subsidiary of the Remaining Group and become an associate of the Remaining Group.

Under the US-China trade tensions and the Hong Kong unrest activities, the macro environment was very volatile which affected the investment appetite. However, MCM Group was able to maintain their performance by bringing down the cost.

The COVID-19 pandemic caused different degree of impact to the Remaining Group's investment property businesses. The Commercial Complex was closed for a few weeks to avoid the virus outbreak in the shopping mall. One-month free rental will be granted to the tenants in the coming financial year. The foundation works of the for the phase two development of the Commercial Complex ("**Phase Two Development**") started earlier in the year of 2020. It was delayed for a few months because of the COVID-19 pandemic but resumed in April 2020.

The Chinlink•Worldport in Hanzhong City of Shaanxi Province was still in trial operation and did not generate income during the FY 2020. In September 2019, HZ Tiannong Green Agriculture & Chinese Medicine Industries Limited* ("**Hanzhong Tiannong**") was established. It is a joint venture between Chinlink and Hanzhong Municipal Government which Chinlink indirectly owned as 66.0% of the equity interest and as the controlling shareholder of the joint venture. Hanzhong Tiannong is mandated to transform and upgrade Hanzhong City's agricultural and Chinese herbal medicine industries. In October 2019, the Hanzhong Exhibition & Exchange Centre was opened. Apart from being an exhibition venue to showcase Hanzhong's high quality agricultural and Chinese herbal medicine products, Hanzhong Exhibition & Exchange Centre will also install with an online exchange platform aimed to promote domestic and exports sales of Chinese herbal medicine products. The Remaining Group plays a vital role in the strategic development of the local industry by connecting to an international business network.

**Segmental Performance**

***International Trading Business***

For the FY 2020, the international trading business recorded a 82.8% drop in revenue to HK$267.5 million. The Remaining Group expects the impact of the trade tensions and COVID-19 pandemic will last for some time. Therefore, the Remaining Group does not expect there will be a notable improvement in business performance in the near-term.

***Financial Guarantee Services Business***

The Remaining Group generated the revenue of HK$20.0 million during the FY 2020 represented a slight increase of 5.5% compared with the FY 2019. The gross profit margin remained high at 100% during the FY 2020. The total outstanding guarantee amount was RMB443.3 million as of the end of the FY 2020 as compared with RMB403.5 million for the FY 2019.

***Property Investment Business***

The property investment business remains as an essential income driver of the Remaining Group. The property investment business reported a 4.4% drop in revenue to HK$99.4 million and the revenue was entirely contributed by the Commercial Complex located in Xi'an. The average occupancy rate dropped slightly to 92.6% due to early termination of tenancy of a tenant who occupied approximately 4,000 square metres. Under the influence of the COVID-19 pandemic, the Commercial Complex was closed for weeks in compliance with the local government's regulations and the financial impact will reflect in the next financial year.

***Financial Advisory Services Business***

For the FY 2020, MCM Group recorded a slight drop in revenue to HK$19.3 million, which was in the form of commission and management fees. MCM Group's core businesses include financial advisory and asset management licensed under types 1, 2, 4 and 9, and regulated by the Securities and Futures Commission of Hong Kong. During the FY 2020, MCM Group has continued to build its success in placements. In our asset management arm, MCM Investment Partners Limited ("**MCMIP**"), our assets under management averaged around US$50 million, with growth in several of our existing co-investment private venture funds. In parallel, MCM Group has managed to streamline its operations to better weather challenging macroeconomic conditions, reducing total costs from HK$46 million in the FY 2019 to under HK$35 million in the FY 2020.

***Logistics Services Business***

For the FY 2020, the logistics services segment generated the revenue of HK$12,000. This segment is ancillary to the Remaining Group's international trading and financial services businesses. Therefore, it was only operating at a minimal scale and did not constitute a material profit centre.

***Discontinued Operation – Finance Lease Services Business***

The finance lease service business recorded a significant drop in revenue to HK$28.2 million during the FY 2020 due to the Finance Lease Disposal during the FY 2020. The revenue from the Finance Lease Company was no longer consolidated after the Finance Lease Disposal.

**Liquidity, Capital Resources and Capital Structure**

As at 31 March 2020, the bank balances and cash and pledged bank deposits amounted to HK$274.0 million in total, representing a decrease of HK$279.4 million from HK$553.4 million in the FY 2019. The decrease was mainly due to repayment of bank and other borrowings during the FY 2020.

As at 31 March 2020, the bank and other borrowings of the Remaining Group which were mainly denominated in HK$, RMB and US$ amounted to HK$1,318.4 million (31 March 2019: HK$1,460.1 million), representing a decrease of HK$141.7 million from that of 31 March 2019, of which HK$909.5 million and HK$408.9 million were repayable within one year and two to five years respectively.

Details of the significant financing activities completed during the FY 2020 (some of which had 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 annual report under Rule 13.21 of the Listing Rules) were as follows:

***9.0% Coupon Bonds***

9.0% coupon bonds issued on 25 July 2017 (the "**First 9.0% Coupon Bonds**") with aggregate principal amount of HK$200.0 million, unsecured, repayable on 25 July 2019 and interest bearing at 9.0% per annum, was partially repaid in the principal of HK$100.0 million during the FY 2020. The maturity date of the remaining principal of HK$100.0 million was extended for one year pursuant to the deed of amendment signed on 25 July 2019; and another 9.0% coupon bonds issued in two tranches on 4 August 2017 and 25 August 2017 (the "**Second 9.0% Coupon Bonds**" together with the First 9.0% Coupon Bonds, collectively, the "**9.0% Coupon Bonds**") with aggregate principal amount of HK$150.0 million, unsecured, repayable on the day falling on the second anniversary of the issue date and interest bearing at 9.0% per annum, was fully repaid during the FY 2020.

Pursuant to the terms of the instruments of the First 9.0% Coupon Bonds and Second 9.0% Coupon Bonds, Mr. Li Weibin ("**Mr. Li**") (being a controlling shareholder and an executive Director of the Company) should hold at least 51% of the beneficial interest in the Company carrying at least 51% of the voting right, failing which the 9.0% Coupon Bonds shall be immediately redeemable.

***First 6.5% Coupon Bonds***

During the FY 2020, the Company issued 6.5% coupon bonds (the "**First 6.5% Coupon Bonds**"), in four tranches on 7 August 2019, 8 August 2019, 19 August 2019 and 6 September 2019 with aggregate principal amount of HK$200.0 million. 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. Pursuant to the terms of the instrument of the First 6.5% Coupon Bonds, the Company has undertaken to ensure 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. In the event of default, the First 6.5% Coupon Bonds may become immediately due and payable at their principal amount, together with accrued interest. Details of the First 6.5% Coupon Bonds are set out in the announcements of the Company dated 30 July 2019, 8 August 2019, 19 August 2019 and 6 September 2019. The proceeds were used for (i) refinancing the existing borrowings; (ii) development of the existing businesses; and (iii) the general working capital of the Remaining Group.

***13.0% Coupon Bonds***

Under the exchange offer memorandum ("**Exchange Offer**") dated 5 August 2019, 13.0% coupon bonds (the "**13.0% Coupon Bonds**") with aggregate principal amount of US$30.0 million (equivalent to approximately HK$234.0 million) were issued in exchange of the unsecured 12.0% coupon bonds (the "**12.0% Coupon Bonds**") with principal amount of US$15.0 million (equivalent to approximately HK$117.0 million) which were issued on 5 December 2017 with maturity date on 5 December 2019. The 13.0% Coupon Bonds are secured by the equity interests of certain subsidiaries of the Company and guaranteed by Mr. Li, with maturity date on 30 August 2021 and interest bearing at 13.0% per annum. Pursuant to the terms of the Exchange Offer, the Company has undertaken that Mr. Li holds, directly or indirectly, more than 50% of the issued and paid up share capital of the Company. The net proceeds (after deducting all the related costs and expenses) from the Exchange Offer of approximately US$13.7 million was used for the partial repayment of the 9.0% Coupon Bonds. Details of the 13.0% Coupon Bonds are set out in the announcements of the Company dated 5 August 2019, 6 August 2019, 14 August 2019 and 16 August 2019.

***Loan Facility Agreement***

Pursuant to the terms of a loan facility agreement (the "**Facility Agreement**") dated 13 August 2019 and entered into among: (i) the Company as borrower; (ii) Mr. Li as guarantor; and (iii) an independent lender, a 2-year credit facility in the total sum of US$64.1 million (the "**Loan**") to be provided in two tranches was made available to the Company subject to certain conditions. The Loan was mainly secured by, among others, pledges of equity interests of certain subsidiaries of the Company and mortgage of the certain investment properties. Pursuant to the Facility Agreement, the Company has undertaken that Mr. Li owns, directly or indirectly, at least 50% of the beneficial interest in the Company carrying at least 50% of the voting right. In the event of default, all or any part of the commitments under the Loan may be cancelled and all amounts outstanding under the Loan may immediately become due and payable. As at 31 March 2020, the first tranche of the Loan of US$48.7 million was drawn down and used for partial repayment of certain loans and trading facility of the Company. Details of the Loans are set out in the announcement of the Company dated 13 August 2019.

Save as disclosed above, the Company has not entered into any loan agreement that 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 annual report under Rule 13.21 of the Listing Rules.

***Bank Loan from ChangAn Bank***

Pursuant to the terms of a bank loan agreement dated 12 October 2019 and entered into between: (i) Xi'an Tang Rong Real Estate Limited (an indirectly wholly-owned subsidiary of the Company) as borrower; and (ii) ChangAn Bank as lender, a 8-year term loan in the total sum of RMB400 million (the "**Bank Loan**") was made available to the Remaining Group. The Bank Loan was mainly secured by mortgage of the certain investment properties of the Remaining Group. Also, Mr. Li and his spouse would act as the guarantor. During the FY 2020, the Bank Loan was drawn down and used mainly for repayment of certain bank and other borrowings of the Company.

As at 31 March 2020, the Remaining Group recorded net current liabilities of HK$1,183.4 million (31 March 2019: HK$822.7 million) and the current ratio of the Remaining Group calculated as the Remaining Group's current assets over its current liabilities was 0.32 (31 March 2019: 0.53). During the FY 2020, the Remaining Group scaled down the international trading business and repaid the trading facilities, which resulted in decrease in both current assets and current liabilities. Also, the Remaining Group issued 13.0% Coupon Bonds which were classified as current liability. As a net result, there was a setback in the current ratio of the Remaining Group.

**Material acquisition or disposal of subsidiaries or associated companies during the year**

During the FY 2020, the Remaining Group entered into a Finance Lease Disposal Agreement with Xi'an Qujiang Cultural, who is a third party independent of the Company and its connected persons, pursuant to which the Remaining Group agreed to sell and Xi'an Qujiang Cultural agreed to acquire 37.5% of the equity interest in the Finance Lease Company which was engaged in provision of finance lease business in the PRC, The total cash consideration was about RMB93.2 million (equivalent to approximately HK$103.9 million).

Immediately prior to the Finance Lease Completion, the Remaining Group was beneficially interested in 62.5% of the equity interest in the Finance Lease Company. After Finance Lease Completion, the Remaining Group became beneficially interested in 25% of the equity interest in the Finance Lease Company.

The net proceeds from the Finance Lease Disposal were applied by the Company for the repayment of borrowings and general working capital purpose. For details, please refer to the announcements of the Company dated 12 December 2019, 8 January 2020 and 15 January 2020.

**Gearing ratio**

The Remaining Group's gearing ratio as at 31 March 2020 was 0.64 (31 March 2019: 0.61) which was calculated based on the Remaining Group's total liabilities of HK$2,642.2 million (31 March 2019: HK$2,902.4 million) and the Remaining Group's total assets of HK$4,145.5 million (31 March 2019: HK$4,763.7 million). The slight setback in the gearing ratio was mainly due to loss for the FY 2020 and depreciation of RMB against HK$ which has more adverse impact on the assets side.

**Foreign exchange risk**

The Remaining Group's revenue and expenses were mainly denominated in HK$, RMB and US$. The pledged bank deposits were denominated in US$, RMB and HK$. Other bank deposits were dominated in HK$, RMB, MOP or US$. Other monetary assets and liabilities were mainly denominated in HK$, RMB and US$. During the FY 2020, the exchange rate of RMB to HK$ depreciated slightly and MOP to HK$ was stable. As HK$ is pegged to US$, the Directors considered that the foreign currency risk of the Remaining Group was relatively low.

**Capital commitments**

As at 31 March 2020, the Remaining Group had capital commitments contracted but not provided for amounting to HK$45.1 million in respect of the development of Chinlink•Worldport. The Remaining Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholder of the Company.

**Contingent liabilities**

As at 31 March 2020, the Remaining Group has contingent liabilities in relation to corporate guarantee given to banks in respect of financial guarantee services provided to i) independent third parties; and ii) related parties of HK$478.0 million and HK$5.5 million respectively.

**Pledge of assets**

As at 31 March 2020, the Remaining Group had pledged (i) bank deposits of HK$248.9 million to certain banks as securities in return for the banks' provision of loans to the Remaining Group's financial guarantee services customers; (ii) leasehold land and building with carrying value of HK$35.9 million to secure obligations under banking facilities; and (iii) certain investment properties with fair value of HK$2,986.2 million and equity interest of certain subsidiaries to secure obligation under certain bank and other borrowings, the First 6.5% Coupon Bonds and 13.0% Coupon Bonds.

**Share capital**

As at 31 March 2020, the authorised share capital and issued share capital of the Company were HK$625.0 million and HK$456.8 million respectively (31 March 2019: HK$625.0 million and HK$456.8 million respectively). There were no changes in the authorised share capital and issued share capital of the Company during the FY 2020.

**Human resources**

As at 31 March 2020, the Remaining Group had 44 employees in Hong Kong, 246 employees in China and 1 employee in the United Kingdom (31 March 2019: 48 employees in Hong Kong and 235 employees in China and 5 employees 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 Remaining Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

## (III) FOR THE YEAR ENDED 31 MARCH 2021

**Results**

For the financial year ended 31 March 2021 ("**FY 2021**"), the Remaining Group's revenue from continuing operations was HK$219.5 million, reflecting a significant decrease of 48.4% from HK$425.5 million in the FY 2020. Revenue contribution by segments comprised of: property investment of HK$92.8 million (FY 2020: HK$99.4 million), financial advisory services of HK$87.1 million (FY 2020: HK$19.3 million), financial guarantee services of HK$17.9 million (FY 2020: HK$20.0 million), logistics and other services of HK$1.2 million (FY 2020: HK$12,000) and other revenue of HK$20.5 million (FY 2020: HK$19.4 million). No revenue was recorded from international trading business for the FY 2021 (FY 2020: HK$267.5 million).

Gross profit for the FY 2021 increased gently to HK$152.3 million, up 5.3 % from HK$144.7 million in the FY 2020. Gross profit margin increased significantly to 69.4% from 34.0% in the FY 2020.

The decrease in revenue from continuing operations was mainly due to significant drop in revenue from international trading business but partially offset by the significant increase in revenue from financial advisory business. Since the gross profit margin of financial advisory business is much higher than that of international trading business, the decrease in gross profit from international trading business and property investment business was fully compensated by the increase in gross profit from financial advisory business. As a result, both the overall gross profit and overall gross profit margin increased.

Other income, gains and losses recorded a loss of HK$7.5 million (FY 2020: HK$0.6 million) for the FY 2021, mainly attributable to exchange loss arising from the appreciation of RMB against HK$ during the FY 2021 but partially offset by (i) interest income from bank deposits; and (ii) government subsidy under Employment Support Scheme etc.

Gain on fair value change of investment properties amounted to HK$25.3 million (FY 2020: HK$62.4 million) for the FY 2021. It was mainly attributable to a fair value change of the Commercial Complex and the Chinlink•Worldport. Such gain decreased significantly because real estate market in China was adversely affected by the COVID-19 pandemic. The overall momentum of the real estate prices in Xi'an City and Hanzhong City in the PRC weakened as compared to the past few years.

During the FY 2021, share of profit of an associate amounted to HK$9.7 million (FY 2020: HK$0.9 million) contributed by Finance Lease Company which the Remaining Group owns 25% equity interests after the Finance Lease Disposal completed in FY 2020. In FY 2020, the financial results of the Finance Lease Company before the completion of Finance Lease Disposal were recorded as loss from discontinued operations (including loss on Disposal) amounting to HK$11.8 million.

Administrative expenses from continuing operations, mainly comprised staff costs, travelling expenses, depreciation, legal and professional fee amounted to HK$97.3 million for the FY 2021, representing a decrease of HK$24.7 million as compared with HK$122.0 million of the FY 2020. The decrease was mainly due to reduction of staff costs as a result of the disposal of certain subsidiaries and significant decrease in legal and professional fee as in the FY 2020 certain non-recurring complex financing activities of the Remaining Group were done.

Finance costs from continuing operations amounted to HK$234.4 million for the FY 2021, representing an increase of HK$8.9 million as compared with HK$225.2 million in the FY 2020. Finance costs for the FY 2021 mainly incurred from (i) a two-year credit facility of US$48.7 million obtained in the FY 2020; (ii) the 13.0% coupon bonds with principal amount of US$30.0 million issued in the FY 2020; (iii) the 6.5% Coupon Bonds; (iv) imputed interest arose from non-interest bearing loan borrowed from related companies and an independent third party; (v) bank loan from ChangAn Bank with principal of RMB400 million obtained in the FY 2020; and (vi) interest related to the fixed return on capital injection (which was made in August 2018) by a non-controlling shareholder of a non-wholly-owned subsidiary.

In respect of goodwill arising from the acquisition of MCM Group, as significant improvement in financial results was recorded by MCM Group during the FY 2021 and after reconsidering its prospects, no further impairment on goodwill was made (FY 2020: HK$15.3 million was made). Due to the uncertain investment outlook of the global capital market, impacted by US-China trade tensions and the adverse impact of COVID-19 pandemic, the Remaining Group will closely monitor the development and prospect of this business segment.

For the FY 2021, the Remaining Group recorded a loss of HK$154.1 million (FY 2020: HK$195.2 million) mainly due to (i) a significant decrease in gain on fair value change of investment properties; (ii) the temporary suspension of international trading business; (iii) exchange loss arising from the appreciation of RMB against HK$; and (iv) an increase in finance costs, but partially compensated by (i) the contribution from financial advisory business; (ii) decrease in administrative expenses; and (iii) gain on disposal of subsidiaries.

**Dividend**

The Directors do not recommend the payment of final dividend for the FY 2021 (FY 2020: Nil).

**Overview**

During the FY 2021 under review, the COVID-19 pandemic continued to cause severe disruption on business and social activities around the globe driving the world economy into a severe recession. According to the International Monetary Fund's latest World Economic Outlook, April 2021, the pandemic recession is the deepest since the end of World War II, with a 3.5% output contraction in 2020, which represents a 7.0% loss relative to the International Monetary Fund's 3.4% growth forecast back in October 2019. On the other hand, the swift and strict lockdown of China on a national scale at the beginning of the COVID-19 outbreak resulted in China as the only major economy to register growth in 2020. But the Hong Kong economy is not immune to the COVID-19 induced disruptions. In 2020, Hong Kong retained as one of the best-performing markets for capital raising globally.

The Remaining Group's principal revenue sources are from financial advisory services conducted both in Hong Kong and Xi'an, and investment properties located in Xi'an during the FY 2021. Operating through different subsidiaries, each of them was affected by the pandemic and its economic consequences to various extents.

Total revenue from continuing operations of HK$219.5 million represented a drop of 48.4% compared with the FY 2020. The decline in total revenue was mainly due to the suspension of the international trading business. The Remaining Group did not register any income from the international trading business in the FY 2021. Because of the unsettled trade and technology tensions between the US and China, and during the global COVID-19 crisis in particular, the market becomes highly volatile and unstable, the Remaining Group hence decided to suspend the international trading business for the time being.

The performance of the Remaining Group's licensed alternative finance businesses in China, which currently comprise financial guarantee and factoring, remained stable. Due to our consistent and stringent credit policy, the Remaining Group had not experienced any significant change in the overall portfolio quality despite the challenging business environment. The portfolios of these financial services and the results of these two businesses maintained at a modest level. On 17 December 2019, the Remaining Group disposed 37.5% of the equity interest of the Finance Lease Company. As a result, the Remaining Group now only holds 25.0% equity interest of the Finance Lease Company. Therefore, the result of the Finance Lease Company for the FY 2021 was recorded as share of profit of an associate.

Regardless of the challenging global economic and geopolitical environment, Hong Kong still upholds its financial centre status of the region and China, in particular. International capital influx continues to pursuit investment opportunities, especially in the technology and innovation areas. The continuous robust growth of the financial advisory services business operated under MCM Group is a good illustration. It recorded a 351.6% growth in the total revenue compared with FY 2020 and had made a significant revenue contribution to the Remaining Group in the FY 2021. MCM Group's businesses include financial advisory and asset management licensed under types 1, 2, 4 and 9, and regulated by the Securities and Futures Commission of Hong Kong.

**Segmental Performance**

***Property Investment Business***

The property investment business recorded a total of HK$92.8 million revenue in the FY 2021 which showed a drop of 6.6% compared with the FY 2020. The revenue of the property investment business mainly generated from the Commercial Complex. As most of the existing tenancies of the Commercial Complex were due to renew at the beginning of the FY 2021, highly attractive terms were provided to retain the tenants during the FY 2021. As a result, the Commercial Complex recorded a significant drop of 11.5% in revenue compared with FY 2020 and the average occupancy rate recorded 96.0% during the FY 2021 compared with 92.6% in the FY 2020.

***Financial Advisory Services Business***

For the FY 2021, MCM Group recorded HK$87.1 million in commission and management fees income across its core activities of financial advisory and asset management, representing an over 351.6% income growth against the FY 2020's. On a net income basis, MCM Group grew over 231.0% when compared to the FY 2020. Through the last quarter of 2020 and into 2021, MCM Group has continued to capitalise on its investments, the performance in terms of revenues, profit and transaction volumes are the best since inception.

In MCMIP, the asset management arm of MCM Group, its assets under management averaged around US$60 million, with growth in several of its existing co-investment private venture funds. Some of its latest stage investments are expected to benefit from potential listings in the coming quarters. Its earlier venture investments have weathered the challenges of COVID-19 well, with excellent prospects for their growth as the economy recovers.

***Financial Guarantee Services Business***

For the FY 2021, the Remaining Group generated HK$17.9 million in revenue from the financial guarantee services. It showed a slight drop of 10.6% compared with the FY 2020. The total outstanding guarantee amount decreased to RMB313.6 million as of 31 March 2021 (FY 2020: RMB443.3 million), primarily because of the unstable credit environment during the FY 2021. Consistent with our high standard risk management practice, there was no material bad debt loss during the FY 2021.

***International Trading Business***

The Remaining Group's international trading business principally deals with electronic components for use in smartphone and data storage. Owing to the continuous trade and technology disputes between China and the US, and the ongoing global economic disturbances caused by the COVID-19, demand for such components has substantially shrunken. The Remaining Group has adopted a cautious approach for trading this product category by temporarily suspending this business segment. Hence the Remaining Group recorded no income from international trading during the FY 2021.

***Logistics and Other Services Businesses***

Logistics and other services businesses comprised provision of logistics services and administrative services. During the FY 2021, this segment recorded services income of HK$1.2 million (FY 2020: HK$12,000).

***Discontinued Operation – Finance Lease Services Business***

After the Finance Lease Disposal, the result of the Finance Lease Company for the FY 2021 was recorded as share of profit of an associate.

**Liquidity, Capital Resources and Capital Structure**

As at 31 March 2021, the bank balances and cash and pledged bank deposits amounted to HK$236.0 million in total, representing a decrease of HK$38.0 million from HK$274.0 million in the FY 2020. The decrease was mainly due to the fund being utilised for expansion of financing business and repayment of bank and other borrowings during the FY 2021.

As at 31 March 2021, the bank and other borrowings of the Remaining Group which were mainly denominated in HK$, RMB and US$ amounted to HK$1,396.8 million (31 March 2020: HK$1,318.4 million), representing an increase of HK$78.4 million from that of 31 March 2020, of which HK$942.5 million and HK$454.3 million were repayable within one year and two to five years respectively.

Details of the significant financing activities completed during the FY 2021 (some of which had 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 annual reports under Rule 13.21 of the Listing Rules) were as follows:

***First 9.0% Coupon Bonds***

The First 9.0% coupon bonds (as amended by the deed of amendment dated 25 July 2019) was fully repaid during the FY 2021.

***6.5% Coupon Bonds***

During the FY 2021, 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 which remained outstanding as at 31 March 2021 were extended for one year pursuant to the deed of amendment dated 6 August 2020.

On 23 July 2020, the Company entered into a placing agreement with a placing agent to issue another 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 interest 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 31 March 2021, the Second 6.5% Coupon Bonds with principal of HK$66.5 million were issued on 23 July 2020 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, 4 August 2020, 25 September 2020, 24 November 2020 and 1 March 2021. 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.

Save as disclosed above, the Company has not entered into any significant loan agreement that 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 annual reports under Rule 13.21 of the Listing Rules.

As at 31 March 2021, the Remaining Group recorded net current liabilities of HK$1,044.8 million (31 March 2020: HK$1,183.4 million) and the current ratio of the Remaining Group calculated as the Remaining Group's current assets over its current liabilities was 0.40 (31 March 2020: 0.32). The improvement in current ratio was mainly due to the increase in loan receivables which was attributable to the allocation of resources to financing service business.

***Material lending transactions***

As part of the normal course of business of the Remaining Group, the Remaining Group provided certain financial services to its customers, which included i) provision of various type of lending, for instance, factoring loans; entrusted loans; and other loans etc.; and ii) provision of financial guarantee service.

As at 31 March 2021, the Remaining Group has total loan receivables amounting to HK$291.8 million, all of which are repayable within 1 year from 31 March 2021 with interest rate ranging from 6.0% to 18.0% per annum. HK$238.2 million of the loan receivables ("**Secured Loan Receivables**") are generally guaranteed by the legal representatives, shareholders of the customers, independent third party individuals and/or independent third party corporations and certain portion were secured by trade receivables, the forest felling right owned by the customer or operating income of the customer and remaining HK$53.6 million are unsecured ("**Unsecured Loan Receivables").**

As at 31 March 2021, HK$22.8 million and HK$53.5 million of the Secured Loan Receivables and Unsecured Loan Receivables respectively were overdue and HK$22.8 million was fully recovered as at the date of this annual report. Based on the valuation performed by a qualified valuer, expected credit loss of HK$5.7 million was provided for the FY 2021.

Under the provision of financial guarantee services, the Remaining Group agreed to guarantee the settlement by its customers of the obligation under the bank loan agreements entered into by its customers (as the borrowers) and the banks (as the lenders). As at 31 March 2021, the total guarantee sum provided by the Remaining Group to the lending banks amounted to HK$371.0 million. All of the loans guaranteed by the Remaining Group are repayable within 1 year from 31 March 2021. The guarantee fee and consultancy fee (in aggregate) charged to its customers are generally ranging from 2% to 7% of the loan principal per annum. The guarantee arrangements are generally counter-guaranteed by the legal representatives, shareholders of the customers, independent third party individuals, and/or independent third party corporations. Certain portions are also secured by i) cash deposits; ii) trade receivables; iii) real estate properties; iv) operating income; v) the forest felling right; vi) plant and machinery owned by the customer; and vii) equity interest of certain PRC corporations. No underlying bank loan was overdue as at 31 March 2021. Based on the valuation performed by a qualified valuer, expected credit loss of HK$4.1 million was provided for the FY 2021.

**Material acquisition or disposal of subsidiaries or associated companies during the year**

During the FY 2021, the Remaining Group disposed certain subsidiaries engaging in property holding and interior decoration in Hong Kong with accumulated losses and net liabilities. Gain from disposal of subsidiaries of HK$15.9 million was recorded (FY 2020: Nil) for the FY 2021 as the consideration was higher than the net assets/liabilities of these subsidiaries.

**Gearing ratio**

The Remaining Group's gearing ratio as at 31 March 2021 was 0.60 (31 March 2020: 0.64)) which was calculated based on the Remaining Group's total liabilities of HK$2,823.0 million (31 March 2020: HK$2,642.2 million) and the Remaining Group's total assets of HK$4,708.0 million (31 March 2020: HK$4,145.5) million). The improvement in the gearing ratio was mainly due to decrease in debts and borrowings with the use of net proceeds from the Rights Issue during the FY 2021 and the appreciation of RMB against HK$ as the major assets, for instance, the investment properties are denominated in RMB.

**Foreign exchange risk**

The Remaining Group's revenue, expenses, major assets and liabilities were mainly denominated in HK$, RMB and US$. During the FY 2021, 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 Remaining Group was relatively low.

**Capital commitments**

As at 31 March 2021, the Remaining Group had capital commitments contracted but not provided for amounting to HK$456.2 million in respect of the development of Chinlink•Worldport. The Remaining Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholder of the Company and disposal of assets.

**Contingent liabilities**

As at 31 March 2021, the Remaining Group has contingent liabilities in relation to corporate guarantee given to banks in respect of financial guarantee services provided to independent third parties of HK$366.9 million.

**Pledge of assets**

As at 31 March 2021, the Remaining Group had pledged (i) bank deposits of HK$207.6 million to certain banks as securities in return for the banks' provision of loans to the Remaining Group's financial guarantee services customers; (ii) leasehold land and building with carrying value of HK$23.8 million to secure obligations under banking facilities; and (iii) certain investment properties with fair value of HK$3,260.3 million and equity interest of certain subsidiaries to secure obligation under certain bank and other borrowings, the 6.5% Coupon Bonds and 13.0% Coupon Bonds.

**Share capital**

During the FY 2021, the Company conducted a Capital Reorganisation (as defined below), which included (i) Share Consolidation (as defined below); (ii) Capital Reduction (as defined below); (iii) Diminution and Increase (as defined below). After the Capital Reorganisation, the Company raised fund by way of Rights Issue (as defined below).

***Capital Reorganisation***

On 14 December 2020, the Board proposed to implement the share consolidation ("**Share Consolidation**") whereby every 5 issued and unissued existing shares (with nominal value of HK$0.3125 each) of the Company would be consolidated into 1 consolidated share (with nominal value of HK$1.5625 each) ("**Consolidated Share**"). Immediately after the Share Consolidation became effective, the issued share capital of the Company was reduced by cancelling the paid-up share capital of the Company to the extent of HK$1.5525 on each of the then issued Consolidated Share such that the nominal value of each issued Consolidate Share was reduced from HK$1.5626 to HK$0.01 ("**Capital Reduction**"). The credit arose from the Capital Reduction of HK$453,829,809 was transferred to the contributed surplus account.

Upon the Capital Reduction taking effect, all the authorised but unissued share capital (with nominal value of HK$1.5625 each) of the Company be cancelled and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK$625,000,000 by the creation of such number of additional shares (with nominal value of HK$0.01 each) as shall be sufficient to increase the authorised share capital of the Company to HK$625,000,000 divided into 62,500,000,000 shares (with nominal value of HK$0.01 each) ("**Diminution and Increase**").

Share Consolidation, Capital Reduction and Diminution and Increase (collectively, "**Capital Reorganisation**") were approved by the shareholders of the Company (the "**Shareholders**") at the special general meeting held on 17 February 2021 and became effective on 19 February 2021. Details of the Capital Reorganisation are set out in the announcements of the Company dated 14 December 2020, 8 January 2021 and 17 February 2021 and in the Company's circular dated 25 January 2021.

***Rights Issue***

On 14 December 2020, the Company announced its proposal to raise funds by way of rights issue (the "**Rights Issue**") of three rights shares for every one share held by the qualifying shareholders at the subscription price of HK$0.38 per rights share (the "**Rights Share**"). The Rights Issue was subject to the Capital Reorganisation becoming effective.

Pursuant to the underwriting agreement dated 14 December 2020 (as supplemented by a supplemental underwriting agreement dated 8 January 2021), entered into among Emperor Securities Limited (the "**Underwriter**"), the Company, Mr. Li, the chairman and executive director of the Company and Wealth Keeper International Limited ("**Wealth Keeper**") (a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Li), Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken in the underwriting agreement in favour of the Company and the Underwriter to (i) subscribe for or procure the subscription for the 40,008,360 Rights Shares to which Mr. Li is entitled, and 494,857,920 Rights Shares to which Wealth Keeper is entitled pursuant to the Rights Issue respectively; and (ii) not to subscribe for any excess Right Shares under excess applications. Mr. Li has further undertaken to the Company and the Underwriter that he will not exercise any of the vested share options which he is entitled on or before 23 February 2021, which was the latest time for exercising the vested share options in order to be qualified for the Rights Issue.

The subscription price represents: (i) a discount of approximately 13.64% to the theoretical closing price of HK$0.44 per adjusted share (after taking into account the effect of the Capital Reorganisation) ("**Adjusted Share**") based on the closing price of HK$0.088 per share (before Capital Reorganisation becomes effective) ("**Existing Share**") as quoted on the Stock Exchange on 14 December 2020; (ii) a discount of approximately 15.74% to the theoretical closing price of HK$0.451 per Adjusted Share based on the average closing price of HK$0.0902 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 14 December 2020; (iii) a discount of approximately 16.21% to the average theoretical closing price of approximately HK$0.4535 per Adjusted Share based on the average closing price of approximately HK$0.0907 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 14 December 2020; (iv) a discount of approximately 4.58% to the theoretical ex-rights price of approximately HK$0.3983 per Adjusted Share based on the benchmark price of HK$0.0906 per Existing Share; (v) a discount of approximately 93.79% to the net asset value of the Company of approximately HK$6.11 per Adjusted Share based on the unaudited net asset value attributable to owners of the Company of approximately HK$1,787.5 million as at 30 September 2020 and 292,321,938 Adjusted Shares assuming the Capital Reorganisation has become effective; (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 12.09% of the theoretical ex-rights price of HK$0.3983 per Adjusted Share to the benchmarked price of HK$0.0906 per Existing Share; and (vii) a discount of approximately 1.30% to the closing price of HK$0.385 per Adjusted Share as quoted on the Stock Exchange on 24 February 2021, being the latest practicable date prior to printing the prospectus of the Rights Issue.

The Rights Issue was approved by the Shareholders at the special general meeting held on 17 February 2021 and completed on 25 March 2021. 876,965,814 new Rights Shares with total nominal value of approximately HK$8.77 million were issued on the same day. The gross proceeds and net proceeds from the Rights Issue amounted to approximately HK$333.3 million and HK$327.6 million respectively and were used for the repayment of outstanding debts and borrowings of the Remaining Group. The net price per rights share after deducting the related expenses of the Rights Issue was approximately HK$0.374. Details of the Rights Issue are set out in the announcements of the Company dated 14 December 2020, 8 January 2021, 17 February 2021 and 24 March 2021, the Company's circular dated 25 January 2021 and the Company's prospectus dated 3 March 2021.

As at 31 March 2020, the authorised share capital of the Company was HK$625.0 million divided into 2,000,000,000 shares with nominal value of HK$0.3125 each. After the completion of Capital Reorganisation and as at 31 March 2021, it became HK$625.0 million divided into 62,500,000,000 shares with nominal value of HK$0.01 each.

As at 31 March 2020, the issued share capital of the Company was HK$456.75 million divided into 1,461,609,692 shares with nominal value of HK$0.3125 each. After completion of Capital Reorganisation, it became HK$2.92 million divided into 292,321,938 shares with nominal value of HK$0.01 each. After the completion of Rights Issue, 876,965,814 new Rights Shares with total nominal value of approximately HK$8.77 million were issued. As at 31 March 2021, the issued share capital of the Company was HK$11.69 million divided into 1,169,287,752 shares with nominal value of HK$0.01 each.

**Human resources**

As at 31 March 2021, the Remaining Group had 37 employees in Hong Kong, 217 employees in China and 1 employee in the United Kingdom (31 March 2020: 44 employees in Hong Kong and 246 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 Remaining Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

## (IV) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

### Results

For the six months ended 30 September 2021 ("**1H 2021**"), the Remaining Group's revenue was HK$92.9 million, reflecting a decrease of 18.7% from HK$114.2 million in the six months ended 30 September 2020 ("**1H 2020**"). Revenue contribution by segments comprised: property investment of HK$42.1 million (1H 2020: HK$48.0 million), financial advisory services of HK$30.7 million (1H 2020: HK$47.4 million), financial guarantee services and other financial services of HK$18.5 million (1H 2020: HK$18.8 million), and other revenue of HK$1.6 million (1H 2020: Nil). The decrease in overall revenue was mainly due to significant drop in revenue from (i) financial advisory business as the incomes of the 1H 2020 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 1H 2021 decreased to HK$63.8 million, down 12.6% from HK$73.0 million in the 1H 2020. Gross profit margin increased slightly to 68.7% from 63.8% in the 1H 2020. 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 loss of HK$3.6 million (1H 2020: a gain of HK$17.8 million) for the 1H 2021, mainly comprised exchange loss arising from the appreciation of RMB against HK$ during the 1H 2021 but significantly offset by the (i) adjustment on carrying amount of other borrowings; and (ii) interest income from bank deposits.. During the 1H 2020, the Remaining 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 Remaining 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$24.0 million during the 1H 2021 (1H 2020: HK$23.4 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 and Chinlink•Worldport underwent a fair value assessment.

The Remaining Group owns 25% equity interests in an associate which engaged in finance lease business in the PRC. During the 1H 2021, share of profit of an associate amounted to HK$9.7 million (1H 2020: HK$3.8 million).

Administrative expenses mainly comprised staff costs, travelling expenses, depreciation, legal and professional fee etc. amounted to HK$49.1 million for the 1H 2021, representing a slight increase of HK$3.3 million when compared with HK$45.8 million in 1H 2020. The increase was mainly due to increase in deprecation in relation to the leasehold property owned by the Remaining Group with construction completed during the 1H 2021.

Finance costs amounted to HK$129.3 million for the 1H 2021, representing an increase of HK$12.0 million as compared with HK$117.3 million in the 1H 2020. The increase was mainly due to (i) increase in lease liabilities; and (ii) appreciation of RMB against HK$ during the 1H 2021 which increased the finance costs denominated in RMB being translated to the reporting currency, i.e. HK$.

For the 1H 2021, the Remaining Group recorded a loss of HK$99.5 million (1H 2020: HK$45.9 million), such increase was mainly due to (i) significant decrease in gross profit from property investment business segment in the 1H 2021 as the business was severely disrupted by COVID-19 pandemic; (ii) unrealised exchange loss recorded in the 1H 2021 (1H 2020: exchange gain) arising from the fluctuation of the exchange rate of RMB against HK$; (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 1H 2020.

**Dividend**

The Board did not declare the payment of interim dividend for the 1H 2021 (1H 2020: Nil).

**Overview**

For the 1H 2021 under review, the Remaining Group still encountered a very challenging business environment. During the 1H 2021, the Remaining Group recorded total revenue of HK$92.9 million, representing a drop of 18.7% compared with the 1H 2020.

The COVID-19 pandemic continues its impact on the business environment in the PRC 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 Remaining Group. Moreover, it largely restricted the Remaining 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 Remaining 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 Remaining Group had just launched the pre-sale of the residential apartments under the Phase Two Development project. Also, it affected the Remaining Group's direction to deleverage against the Remaining Group's property portfolio and to focus resources in financial and other innovative services.

## SEGMENTAL PERFORMANCE

### Property Investment Business

The property investment business generated a total of HK$42.1 million in revenue in the 1H 2021, which mainly generated from the Commercial Complex. It showed a drop of 12.3% compared with the 1H 2020. During the 1H 2021, 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 1H 2021, a slight 3.5% increase compared with the 1H 2020.

**Financial Advisory Services Business**

For the 1H 2021, 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 35.2% drop against the income of the 1H 2020. In fact, incomes of the 1H 2020 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. 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.

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.

**Financial Guarantee Services and Other Financial Services Businesses**

For the 1H 2021, the Remaining 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 1H 2020. The total outstanding guaranteed amount was RMB383.6 million as of 30 September 2021 (1H 2020: RMB366.0 million).

**Liquidity, Capital Resources and Capital Structure**

As at 30 September 2021, the bank balances and cash and pledged bank deposits amounted to HK$253.3 million in total (31 March 2021: HK$236.0 million), representing a slight increase of HK$17.3 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 Remaining Group which were mainly denominated in HK$, RMB and US$ amounted to HK$1,526.8 million (31 March 2021: HK$1,396.8 million), representing an increase of HK$130.0 million from that of 31 March 2021, of which HK$1,015.2 million and HK$511.6 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 1H 2021.

Details of the major financing activities completed during the 1H 2021 (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 interim report under Rule 13.21 of the Listing Rules) were as follows:

**First 6.5% Coupon Bonds**

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 of the First 6.5% Coupon Bonds, 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**

The Second 6.5% Coupon Bonds were matured and fully repaid by the Company during the 1H 2021.

As at 30 September 2021, the Remaining Group had net current liabilities of HK$875.9 million (31 March 2021: HK$1,044.8 million) and the current ratio of the Remaining Group calculated as the Remaining Group's current assets over its current liabilities was 0.56 (31 March 2021: 0.40). 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 Remaining Group intended to dispose the Phase Two Development to improve liquidity.

**Material acquisition or disposal of subsidiaries or associated companies during the period**

There was no material acquisition or disposal of subsidiaries or associated companies during the 1H 2021.

**Gearing ratio**

The Remaining Group's gearing ratio as at 30 September 2021 was 0.62 (31 March 2021: 0.60) which was based on the Remaining Group's total liabilities of HK$3,048.6 million (31 March 2021: HK$2,823.0 million) and the Remaining Group's total assets of HK$4,880.6 million (31 March 2021: HK$4,708.0 million).

**Foreign exchange risk**

The Remaining 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$. During the 1H 2021, the exchange rate of RMB to HK$ appreciated slightly. As HK$ is pegged to US$, the Directors considered that the foreign currency risk of the Remaining Group was relatively low.

**Capital commitments**

As at 30 September 2021, the Remaining Group had capital commitments contracted but not provided for amounting to HK$28.1 million in respect of the development of Chinlink•Worldport. The Remaining Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholders of the Company.

**Contingent liabilities**

As at 30 September 2021, the Remaining Group has contingent liabilities in relation to corporate guarantee given to banks in respect of financial guarantee services provided to independent third parties of HK$461.1 million.

**Pledge of assets**

As at 30 September 2021, the Remaining 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 Remaining 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.

**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 1H 2021.

**Human resources**

As at 30 September 2021, the Remaining 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 Remaining Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only.*

appraisal • brokerage • consulting

**Vincorn Consulting and Appraisal Limited**
Units 1602-4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong

**The Board of Directors**
Chinlink International Holdings Limited
Suites 5-6, 40/F, One Exchange Square
8 Connaught Place,
Central, Hong Kong

25 May 2022

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China ("**The PRC**") to be disposed of by Chinlink International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 31 March 2022 (the "**Valuation Date**").

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

## VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

## VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

## VALUATION METHODOLOGY

When valuing the property interests to be disposed of by the Group, we have adopted Market Approach and Income Capitalization Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

Income Capitalization Approach is a valuation approach commonly adopted for income producing properties such as offices, shops and arcades. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

## LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, Shaanxi Guanhan Law Firm, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation certificate.

## INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

## INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally on 29 April 2022. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

## CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
**Vincorn Consulting and Appraisal Limited**
**Vincent Cheung**
*BSc(Hons) MBA FRICS MHKIS RPS(GP)*
*MCIREA MHKSI MISCM MHIREA*
*RICS Registered Valuer*
*Registered Real Estate Appraiser & Agent PRC*
*Managing Director*

*Note:*

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 24 years of experience in the valuation of properties of this magnitude and nature in the subject region.

## VALUATION CERTIFICATE

### Property Interests for Investment to be disposed of by the Group in The PRC

| Property | Description and Tenure | Occupancy Particulars | Market Value as at 31 March 2022 |
|---|---|---|---|
| Chinlink International Centre located at No. 118 Wenjing Road (Middle Section), Xi'an Economic and Technological Development Zone, Weiyang District, Xi'an, Shaanxi Province, The PRC | The property comprises a 25-level office building with a 4-storey ancillary podium plus a 2-level basement carpark, namely Chinlink International Centre, which is erected on a parcel of land with a site area of approximately 9,100.01 square metres ("**sq.m.**").<br><br>As per the Real Estate Title Certificates, the property has a gross floor area ("**GFA**") of 51,893.55 sq.m.,<br><br>The area breakdown of the property is listed below:<br><br>Portion — GFA *(sq.m.)*<br>Office Building (which known as Block 1) — 34,869.09<br>Ancillary Podium (which known as Block 2) — 5,878.11<br>Basement Carpark (which known as Block 3) — 11,146.35<br>Total: — 51,893.55<br><br>As per the Real Estate Title Certificates, it was completed in about 2021.<br><br>The land use rights of the property were granted for a term expiring on 26 November 2059 for office/ research uses. | As per our on-site inspection and the information provided by the Group, the property is currently leased to different tenants subject to an occupancy rate of 87.88% at a total monthly rental of approximately RMB1,655,000 inclusive of management fees but exclusive of service charges and other outgoings. | RMB605,000,000 (RENMINBI SIX HUNDRED AND FIVE MILLION)<br><br>100% Interest to be Attributable to the Group Before Disposal:<br><br>RMB605,000,000 (RENMINBI SIX HUNDRED AND FIVE MILLION) |

*Notes:*

1. The property was inspected by Marcus Zhang *BSc(CS)* on 29 April 2022.

2. The valuation and this certificate were prepared by Vincent Cheung *BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. Pursuant to a State-owned Land Use Rights Grant Contract, Xi Jing Kai Rang Zi (2009) No. 024 dated 26 November 2009 and entered into between State-owned Land Resources Bureau of Xi'an – Branch of Economic and Technological Development Zone and Real King International (Xi'an) Information Technology Company Limited ("**Real King**"), the land use rights of the property with a site area of 13.65 mu were granted to Real King for a term of 50 years for office/research uses at a consideration of RMB20,000,000.

4. Pursuant to 30 Real Estate Title Certificates, issued by Xi'an Natural Resources and Planning Bureau, the land use rights of the property with a site area of 9,100.01 sq.m. and the building ownership rights of the property with a total GFA of 51,893.55 sq.m. were legally vested in Real King. The land use rights were granted to Real King for a term expiring on 26 November 2059 for office/research uses.

   The details of the Real Estate Title Certificates are summarised below:

| **Certificate No.** | **Portion** | **Level** | **Date of Issue** | **GFA (sq.m.)** |
|---|---|---|---|---|
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265613 | 10102, Block 1 | Level 1 | 28 May 2021 | 140.11 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265614 | 10103, Block 1 | Level 1 | 28 May 2021 | 232.81 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265615 | 10104, Block 1 | Level 1 | 28 May 2021 | 178.85 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265616 | 10106, Block 1 | Level 1 | 28 May 2021 | 56.56 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265617 | 10201, Block 1 | Level 2 | 28 May 2021 | 1,351.53 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265618 | 10301, Block 1 | Level 3 | 28 May 2021 | 1,567.35 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265619 | 10401, Block 1 | Level 4 | 28 May 2021 | 2,659.69 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265620 | 10501, Block 1 | Level 5 | 28 May 2021 | 1,575.65 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265621 | 10601, Block 1 | Level 6 | 28 May 2021 | 1,575.65 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265622 | 10701, Block 1 | Level 7 | 28 May 2021 | 1,575.65 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265623 | 10801, Block 1 | Level 8 | 28 May 2021 | 1,575.65 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265624 | 10901, Block 1 | Level 9 | 28 May 2021 | 1,574.93 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265625 | 11001, Block 1 | Level 10 | 28 May 2021 | 1,574.93 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265626 | 11101, Block 1 | Level 11 | 28 May 2021 | 1,574.93 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265627 | 11201, Block 1 | Level 12 | 28 May 2021 | 1,574.93 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265628 | 11301, Block 1 | Level 13 | 28 May 2021 | 1,574.93 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265629 | 11401, Block 1 | Level 14 | 28 May 2021 | 1,575.28 |

| Certificate No. | Portion | Level | Date of Issue | GFA (sq.m.) |
|---|---|---|---|---|
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265630 | 11501, Block 1 | Level 15 | 28 May 2021 | 1,575.28 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265631 | 11601, Block 1 | Level 16 | 28 May 2021 | 1,575.28 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265632 | 11701, Block 1 | Level 17 | 28 May 2021 | 1,575.28 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265633 | 11801, Block 1 | Level 18 | 28 May 2021 | 1,574.01 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265634 | 11901, Block 1 | Level 19 | 28 May 2021 | 961.78 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265635 | 12001, Block 1 | Level 20 | 28 May 2021 | 907.06 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265636 | 12101, Block 1 | Level 21 | 28 May 2021 | 961.47 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265637 | 12201, Block 1 | Level 22 | 28 May 2021 | 961.47 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265638 | 12301, Block 1 | Level 23 | 28 May 2021 | 961.63 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265639 | 12401, Block 1 | Level 24 | 28 May 2021 | 914.77 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265640 | 12501, Block 1 | Level 25 | 28 May 2021 | 961.63 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265643 | 10000, Block 2 | Level 1 to Level 4 | 28 May 2021 | 5,878.11 |
| Shaan (2021) Xi'an Shi Bu Dong Chan Quan Di No. 0265644 | 1F201, Block 3 | Basement Level 1 to Basement Level 2 | 28 May 2021 | 11,146.35 |
| | | | Total: | 51,893.55 |

5. Pursuant to the information provided by the Group, Real King is an indirect wholly-owned subsidiary of the Company.

6. The general description and market information of the property are summarized below:

| | | |
|---|---|---|
| Location | : | The property is located at No. 118 Wenjing Road (Middle Section), Xi'an Economic and Technological Development Zone, Weiyang District, Xi'an, Shaanxi Province, The PRC. It is located at the junction of Fengcheng Tenth Road and Wenjing Road. It abuts Wenjing Road to the east, Fengcheng Tenth Road to the south, a low-rise office block, namely Chang'an Wenhua Creative Park, to the west and an office development, namely Shenglang International Tower, to the north. |
| Transportation | : | Xi'an Xianyang International Airport, Xi'an North Railway Station and Yundonggongyuan Station of Metro Line No. 2 are located approximately 25.7 kilometres, 3.2 kilometres and 960 metres away from the property respectively. |

| | | |
|---|---|---|
| Nature of Surrounding Area | : | The subject area is within Xi'an Economic and Technological Development Zone, which is an emerging central business district and office sub-market in Xi'an. The neighbourhood of the property is dominated by office and residential developments. Amenities and public facilities including shops, restaurants, banks etc. are readily available in the vicinity. One of largest city park in Xi'an, namely Xi'an City Sport Park, is in the close proximity to the property. Another notable landmark building in the vicinity is the Municipal Government Headquarter of Xi'an. |
| Market Overview | : | According to our research over the subject market, the prevailing occupancy rates and unit rents of the office buildings of similar type in Xi'an Economic and Technological Development Zone are in a range of 80% – 90% and a range of RMB50 – 65 per sq.m. per month respectively. |

7. We have been provided with a legal opinion regarding the property by Shaanxi Guanhan Law Firm, which contains, *inter alia*, the following:

   (a) Real King has legally obtained the real estate title of the property;

   (b) The real estate title of the property was clearly-established and not subject to any disputes; and

   (c) The real estate title of the property is subject to a mortgage, and the mortgagee is Asia Opportunities IV (Mauritius) Limited.

8. In the course of our valuation of the property by Market Approach, we have considered and analysed the office sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB11,446 to RMB11,964 per sq.m. on the basis of GFA. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is RMB11,658 per sq.m. on the basis of GFA.

   In the course of our valuation of the property by Income Capitalization Approach, we have adopted the following parameters:-

| | | |
|---|---|---|
| Reversionary Yield | : | 4.50% |
| Term Yield | : | 3.70% |
| Market Rent | : | RMB54.0 per sq.m per month |

   For deducing the Market Rent, we have considered and analysed the office rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from RMB53.0 to RMB60.2 per sq.m per month on the basis of GFA. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is RMB54.0 per sq.m. per month on the basis of GFA.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") were as follows:

***Interests in Shares***

| Name of Director/Chief Executive | Nature of interest | Number of Shares interested | Number of underlying shares | Total | Approximate percentage of issued share capital of the Company *(Note 1)* |
|---|---|---|---|---|---|
| Mr. Li | Beneficial owner | 53,464,480 (L) | 157,127 (L) *(Note 2)* | 53,621,607 | 4.586 |
| | Interest of controlled corporation | 659,810,560 (L) *(Note 3)* | | 659,810,560 | 56.428 |
| | | | | 713,432,167 | 61.014% |
| Mr. Siu Wai Yip | Beneficial owner | – | 109,623 (L) *(Note 2)* | 109,623 | 0.009% |
| Mr. Lau Chi Kit | Beneficial owner | 40,000 (L) | 73,082 (L) *(Note 2)* | 113,082 | 0.010% |
| Dr. Ho Chung Tai, Raymond | Beneficial owner | – | 73,082 (L) *(Note 4)* | 73,082 | 0.006% |
| Ms. Lai Ka Fung, May | Beneficial owner | – | 36,541 (L) *(Note 2)* | 36,541 | 0.003% |
| Ms. Chan Sim Ling, Irene | Beneficial owner | – | 36,541 (L) *(Note 2)* | 36,541 | 0.003% |

*Notes:*

1. Based on 1,169,287,752 ordinary shares of the Company in issue as at the Latest Practicable Date.

2. These underlying shares were share options at an exercise price of HK$31.7390 per share granted on 24 April 2013 (subject to adjustment).

3. These shares were held by Wealth Keeper International Limited ("**Wealth Keeper**"), the entire issued share capital of which was wholly and beneficially owned by Mr. Li. Accordingly, Mr. Li was deemed to be interested in the entire 659,810,560 shares held by Wealth Keeper by virtue of the SFO.

4. These underlying shares were share options at an exercise price of HK$37.2227 per share granted on 17 December 2013 (subject to adjustment).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### (b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

| Name of substantial shareholder | Nature of interest | Number of Shares interested | Number of underlying shares | Total | Approximate percentage of issued share capital of the Company *(Note 1)* |
|---|---|---|---|---|---|
| Wealth Keeper | Beneficial owner | 659,810,560 (L) | – | 659,810,560 | 56.428% |
| Ms. Cao Wei ("**Ms. Cao**") *(Note 2)* | Interest of spouse | 713,275,040 (L) *(Note 3)* | 157,127 (L) *(Note 4)* | 713,432,167 | 61.014% |

*Notes:*

1. Based on 1,169,287,752 ordinary shares of the Company in issue as at the Latest Practicable Date.

2. Ms. Cao is the spouse of Mr. Li.

3. These shares comprised (i) 53,464,480 shares personally held by Mr. Li, and (ii) 659,810,560 shares held by Wealth Keeper, the entire issued share capital of which was wholly and beneficially owned by Mr. Li. Mr. Li is the spouse of Ms. Cao. Accordingly, Ms. Cao was deemed to be interested in the said numbers of shares respectively held by Mr. Li and Wealth Keeper by virtue of the SFO.

4. These underlying shares represented 157,127 share options held by Mr. Li, the spouse of Ms. Cao. Accordingly, Ms. Cao was deemed to be interested in these 157,127 underlying shares by virtue of the SFO.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## 3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

## 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with the any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

On 1 April 2022, the Target Company entered into the lease agreements with 西安浩華置業有限公司 (Xi'an Hao Hua Zhi Ye Company Limited*) ("**Hao Hua**") and 西安聯鼎企業管理諮詢有限公司 (Xi'an Lian Ding Enterprise Management Consulting Company Limited*) ("**Lian Ding**") respectively (collectively, the "**Lease Agreements**"), pursuant to which Real King agreed to lease certain office premises (the "**Premises**") of the Property to Hao Hua and Lian Ding for the period from 1 April 2022 to 30 June 2022 with total rental of RMB211,877 and RMB302,900 respectively.

On the same day, 普匯中金商業運營管理(西安)有限公司 (Chinlink Commercial Operation Management (Xi'an) Company Limited*) ("**Chinlink Commercial**") (an indirect wholly-owned subsidiary of the Company) also entered into the property management services agreements in relation to the Premises with Hao Hua and Lian Ding respectively (collectively, the "**Services Agreements**"), pursuant to which Chinlink Commercial agreed to provide property management services to Hao Hua and Lian Ding for the period from 1 April 2022 to 30 June 2022 with total property management services fees of RMB234,477 and RMB311,662 respectively and other utilities fees.

As 60% of the equity interest of Hao Hua and 99% of the equity interest of Lian Ding are held by Mr. Li, Hao Hua and Lian Ding are connected persons of the Company and the transactions contemplated under the Lease Agreements and the Services Agreements constituted continuing connected transactions of the Company under the Listing Rules but is fully exempt as they are De minimis transaction.

The rental charged to Hao Hua and Lian Ding was based on the terms of the Lease Agreements entered into between Real King and other tenants of the Property (who are third parties independent of the Company and its connected persons) and market rental for similar properties nearby and having taken into account the availability of similar premises nearby and the cost of relocation. The property management services fee charged to Hao Hua and Lian Ding was based on the scope of services provided, the terms of property management services agreements entered into between Chinlink Commercial and other customers of the Property (who are third parties independent of the Company and its connected persons) and the market services fee for similar properties nearby. The other utilities fees payable under the Services Agreements were determined with reference to the cost of providing these utilities services, the fee charged to other customers of the Property (who are third parties independent of the Company and its connected persons) and the market services fee for similar properties nearby.

Save as disclosed above, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

## 6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 7. LITIGATION AND ARBITRATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 8. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinion, letter or advice included in this circular (collectively, the "**Experts**"):

| Name | Qualifications |
|---|---|
| Vincorn Consulting and Appraisal Limited | Independent professional valuer |
| HLB Hodgson Impey Cheng Limited | Certified public accountants |

As at the Latest Practicable Date, the Experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective letters, reports or names in the form and context in which they respective appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited accounts of the Company were made up.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the Sale and Purchase Agreement;

(ii) the placing agreement dated 23 August 2021 and entered into between the Company and Emperor Securities Limited for the placing of bonds issued by the Company in an aggregate principal amount of up to HK$140 million;

(iii) the underwriting agreement dated 14 December 2020 (as supplemented on 8 January 2021) and entered into among the Company, Mr. Li, Wealth Keeper International Limited and Emperor Securities Limited in respect of the issue by way of rights on the basis of three (3) rights shares for every one (1) adjusted share in issue; and

(iv) the placing agreement dated 23 July 2020 and entered into between the Company and Emperor Securities Limited for the placing of bonds issued by the Company in an aggregate principal amount of up to HK$100 million.

## 10. GENERAL

(a) The secretary of the Company is Ms. Lau Wai Har, who is a solicitor admitted to the High Court of Hong Kong.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The head office and principal place of business of the Company in Hong Kong is situated at Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong.

(e) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

## 11. DOCUMENTS ON DISPLAY

The following documents will be available on (i) the website of the Company (www.chinlinkint.com) and (ii) the website of the Stock Exchange (www.hkex.com.hk) during the period of 14 days from the date of this circular:

(i) the annual reports of the Company for the three years ended 31 March 2021;

(ii) the interim report of the Company for the six months ended 30 September 2021;

(iii) the unaudited financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(iv) the letter on the unaudited pro forma financial information of the Remaining Group issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix III to this circular;

(v) the Property Valuation Report issued by Vincorn Consulting and Appraisal Limited, the text of which is set out in Appendix V to this circular;

(vi) the written consents referred to in the paragraph headed "8. Qualification and consent of Experts" of this appendix; and

(vii) the Sale and Purchase Agreement.

# 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)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the "**SGM**") of Chinlink International Holdings Limited (the "**Company**") will be held at Suite 5-6, 40/F., One Exchange Square, 8 Connanght Place, Central, Hong Kong on Friday, 10 June 2022 at 10:30 a.m., to consider and, if thought fit, pass with or without modification the following resolution as an ordinary resolution:

### ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 29 April 2022 (the "**Sale and Purchase Agreement**", details of which are disclosed in the circular of the Company dated 25 May 2022) entered into among Chinlink Glory Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, as vendor, 陝西天恒投資有限責任公司(Shaanxi Tianheng Investment Co., Ltd.#) (the "**Purchaser**") as purchaser, and 匯景國際(西安)信息科技有限公司(Real King International (Xi'an) Information Technology Company Limited#) (the "**Target Company**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interest of the Target Company for a cash consideration of RMB 132,372,708.56 (a copy of the Sale and Purchase Agreement is marked "A" and produced to the SGM and signed by the chairman of the SGM for identification purpose), and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

* *For identification purpose only*

\# *the English names are provided for transliteration purposes only*

(b) any one or more director(s) of the Company be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Sale and Purchase Agreement as he/she/they may in his/her/their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole."

By the order of the Board
**Chinlink International Holdings Limited**
**Mr. Li Weibin**
*Chairman and Executive Director*

Hong Kong, 25 May 2022

*Registered office:*
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

*Head office and principal place of business in Hong Kong:*
Suites 5-6, 40/F,
One Exchange Square,
8 Connaught Place,
Central, Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and, on a poll, vote in his stead. A member holding two or more shares (each a "**Share**") of the Company may appoint more than one proxy. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong at least 48 hours before the time for holding the above meeting.

3. The register of members of the Company will be closed from Wednesday,8 June 2022 to Friday, 10 June 2022 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the SGM. During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 June 2022.

4. In the case of joint holders of a Share, any one of such persons may vote at the meeting either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. In order to qualify for entitlement to attend the SGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong for registration, not later than 48 hours before the time appointed for holding the SGM or the adjourned meeting (as the case may be).

6. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 6:30 a.m. on the date of the SGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.chinlinkint.com and on the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and venue of the rescheduled meeting.

8. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English Version shall prevail.

9. As at the date of this notice, 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.