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MACROLINK CAPITAL HOLDINGS LIMITED

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “Board”) of Macrolink Capital Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with the comparative figures for corresponding period in 2021, which have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited and
		HK\$’000	Restated)
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Continuing operations			
Revenue	4	365,628	215,451
Cost of sales and services		(352,522)	(204,844)
Gross profit		13,106	10,607
Other income and gains	4	16,130	1,532
Administrative expenses		(12,708)	(32,413)
Other operating (expenses)/income – net		(64)	638
Fair value loss on investment properties		(3,471)	(3,683)
Operating profit/(loss) from continuing operations	5	12,993	(23,319)
Finance costs	6	(2,515)	(1,740)
Profit/(loss) before tax from continuing operations		10,478	(25,059)
Income tax credit	7	1,325	2,003

	<i>Note</i>	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit/(loss) for the period from continuing operations		11,803	(23,056)
Discontinued operation			
Gain for the period from a discontinued operation	8	—	8,673
Profit/(loss) for the period		11,803	(14,383)
Attributable to:			
<i>Owners of the Company</i>			
Profit/(loss) for the period from continuing operations		11,803	(23,056)
Gain for the period from a discontinued operation		—	13,253
		11,803	(9,803)
<i>Non-controlling interests</i>			
Loss for the period from continuing operations		—	—
Loss for the period from a discontinued operation		—	(4,580)
		—	(4,580)
		11,803	(14,383)
Earnings/(loss) per share attributable to owners of the Company from continuing and discontinued operations			
Basic and diluted	9	HK0.98 cents	HK(0.81)cents
Earnings/(loss) per share attributable to owners of the Company from continuing operations			
Basic and diluted	9	HK0.98 cents	HK(1.91)cents
Earnings per share attributable to owners of the Company from a discontinued operation			
Basic and diluted	9	—	HK1.10 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	11,803	(14,383)
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(12,979)	13,192
Reclassification of exchange fluctuation reserve to profit or loss upon deemed disposal of a subsidiary	—	(5,746)
Total comprehensive expenses for the period	(1,176)	(6,937)
Attributable to:		
Owners of the Company	(1,176)	(2,392)
Non-controlling interests	—	(4,545)
	(1,176)	(6,937)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		40,599	38,509
Investment properties		71,521	76,414
Right-of-use assets		35,339	39,125
Equity investments at fair value through profit or loss		3,824	32,922
Deposits for acquisition of a subsidiary		50,000	50,000
		201,283	236,970
Current assets			
Inventories		23,314	22,028
Accounts receivable	11	137	–
Prepayments, deposits and other receivables		35,360	19,235
Tax recoverable		–	4
Amounts due from related companies		997	951
Amount due from an investee company		–	18,744
Financial instruments at fair value through profit or loss		16,412	16,121
Cash and bank balances		116,183	114,006
		192,403	191,089
Current liabilities			
Accounts payable	12	362	2,749
Other payables and accruals		57,833	47,433
Interest-bearing other borrowings		13,858	28,115
Amounts due to related companies		169,008	193,024
Lease liabilities		6,909	7,261
Tax payable		164	–
		248,134	278,582
Net current liabilities		(55,731)	(87,493)
Total assets less current liabilities		145,552	149,477

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30 June 2022

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current liabilities		
Lease liabilities	32,696	33,503
Deferred tax liabilities	31,117	33,059
	<u>63,813</u>	<u>66,562</u>
Net assets	<u>81,739</u>	<u>82,915</u>
Equity		
Share capital	120,625	120,625
Reserves	(38,886)	(37,710)
Total equity	<u>81,739</u>	<u>82,915</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The Group recorded net current liabilities of approximately Hong Kong dollars (“HK\$”) 55,731,000 as at 30 June 2022. This condition indicates the existence of material uncertainties which may cast doubt about the Group’s ability to continue as going concerns.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Obtaining financial support from two related companies to which the Group was indebted in an amount of Renminbi (“RMB”) 13,000,000 (approximately HK\$15,230,000) and HK\$150,000,000 respectively, as at 30 June 2022. The related companies have undertaken not to request for repayment of the total indebted amounts for twelve months from the date of this announcement;
- (c) Exploring the possibility of disposing assets of the Group and equity interests of the Company’s subsidiaries to enhance its liquidity position; and
- (d) Further developing and exploring the potential of the property management services business segment of the Group, thereby generating stable income and operating cash flows to the Group.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. The financial statements are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

Certain comparative figures of prior period have been re-presented to conform with the current period's presentation.

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the amendments effective as of 1 January 2022 below.

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs for the first time in the unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

3. SEGMENT INFORMATION

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

- (a) the property investment and development segment engages in leasing and sale of properties;
- (b) the property management services segment provides property management services;
- (c) the securities investments segment engages in investing in listed securities;
- (d) the trading of mineral concentrates segment engages in the trading of mineral concentrates;
- (e) the coal mining segment engages in the exploration and development of coal mine concessions and mining for sale of coal;
- (f) the others segment engages in the sale of parts of mining equipment; and
- (g) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder, which became a discontinued operation during the period ended 30 June 2021.

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

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

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

3. SEGMENT INFORMATION (CONTINUED)

Segment results

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

For the six months ended 30 June 2022

	Continuing operations						Total (Unaudited) HK\$'000
	Property investment and development (Unaudited) HK\$'000	Property management services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Segment revenue:							
Sales to/revenue from external customers	2,381	7,717	-	353,513	-	-	363,611
Investment income	-	-	2,017	-	-	-	2,017
Total revenue and investment income	2,381	7,717	2,017	353,513	-	-	365,628
Segment results	(3,783)	5,685	2,017	1,166	4,743	316	10,144
Bank interest income and other unallocated income and gains							11,907
Corporate and other unallocated expenses							(9,058)
Unallocated finance costs							(2,515)
Profit before tax from continuing operations							10,478

3. SEGMENT INFORMATION (CONTINUED)

Segment results (Continued)

For the six months ended 30 June 2021

	Continuing operations						Total (Unaudited and Restated) HK\$'000
	Property investment and development (Unaudited) HK\$'000	Property management services (Unaudited and Restated) HK\$'000	Securities investments (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Segment revenue:							
Sales to/revenue from external customers	2,015	6,790	-	205,731	-	27	214,563
Investment income	-	-	888	-	-	-	888
Total revenue and investment income	<u>2,015</u>	<u>6,790</u>	<u>888</u>	<u>205,731</u>	<u>-</u>	<u>27</u>	<u>215,451</u>
Segment results	<u>(3,435)</u>	<u>6,596</u>	<u>888</u>	<u>59</u>	<u>(5,968)</u>	<u>(1,524)</u>	<u>(3,384)</u>
Bank interest income and other unallocated income and gains							1,532
Corporate and other unallocated expenses							(21,467)
Unallocated finance costs							<u>(1,740)</u>
Loss before tax from continuing operations							<u><u>(25,059)</u></u>

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

As at 30 June 2022

	Continuing operations						Total (Unaudited) HK\$'000
	Property investment and development (Unaudited) HK\$'000	Property management services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Assets and liabilities:							
Segment assets	<u>78,904</u>	<u>34,528</u>	<u>18,140</u>	<u>45,023</u>	<u>751</u>	<u>1,359</u>	178,705
Corporate and other unallocated assets							<u>214,981</u>
Total assets							<u>393,686</u>
Segment liabilities	<u>38,839</u>	<u>38,786</u>	<u>173</u>	<u>16,192</u>	<u>7,005</u>	<u>1,974</u>	102,969
Corporate and other unallocated liabilities							<u>208,978</u>
Total liabilities							<u>311,947</u>

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

As at 31 December 2021

	Continuing operations						Total (Audited) HK\$'000
	Property investment and development (Audited) HK\$'000	Property management services (Audited) HK\$'000	Securities investments (Audited) HK\$'000	Trading of mineral concentrates (Audited) HK\$'000	Coal mining (Audited) HK\$'000	Others (Audited) HK\$'000	
Assets and liabilities:							
Segment assets	<u>85,555</u>	<u>37,871</u>	<u>16,126</u>	<u>26,016</u>	<u>476</u>	<u>1,216</u>	167,260
Corporate and other unallocated assets							<u>260,799</u>
Total assets							<u>428,059</u>
Segment liabilities	<u>42,477</u>	<u>39,504</u>	<u>–</u>	<u>121</u>	<u>6,490</u>	<u>4,521</u>	93,113
Corporate and other unallocated liabilities							<u>252,031</u>
Total liabilities							<u>345,144</u>

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited
	HK\$'000	and Restated)
		HK\$'000
Continuing operations		
The People's Republic of China (the "PRC")	363,611	214,536
Peru	–	27
Hong Kong	2,017	888
	<u>365,628</u>	<u>215,451</u>

The revenue information of continuing operations above is based on the location of the customers.

(b) Non-current assets

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Continuing operations		
The PRC	106,267	114,517
Peru	40,377	38,269
Hong Kong	815	1,262
	<u>147,459</u>	<u>154,048</u>

The non-current assets information of continuing operations above is based on the location of assets and excludes financial instruments.

Information about major customer

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations		
Customer A (attributable to trading of mineral concentrates segment)	–	27,733
Customer B (attributable to trading of mineral concentrates segment)	–	27,645
Customer C (attributable to trading of mineral concentrates segment)	–	28,914
Customer D (attributable to trading of mineral concentrates segment)*	80,258	–
Customer E (attributable to trading of mineral concentrates segment)	79,196	–
Customer F (attributable to trading of mineral concentrates segment)	50,330	–
Customer G (attributable to trading of mineral concentrates segment)	44,700	–
	<u>44,700</u>	<u>–</u>

* Revenue from Customer D contributed less than 10% of the total revenue of the Group for the six months period ended 30 June 2021.

4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited and Restated)
	HK\$'000	HK\$'000
Continuing operations		
Revenue		
Revenue from contracts with customers		
Sale of mineral concentrates	353,513	205,731
Sale of parts of mining equipment	–	27
Property management services income	7,717	6,790
Revenue from other sources		
Gross rental income	2,381	2,015
Fair value gains/(losses):		
Equity investments at FVTPL		
– held for trading	291	(447)
Dividend income	1,726	1,335
	<u>365,628</u>	<u>215,451</u>
Continuing operations		
Other income and gains		
Bank interest income	204	161
Management fee income	380	856
Property agency commission income	–	375
Gain arising on change in financial instruments at FVTPL	488	139
Net foreign exchange gains	15,026	–
Others	32	1
	<u>16,130</u>	<u>1,532</u>

5. OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS

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

	<i>Note</i>	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current employee benefits expense (including directors' remuneration)			
Salaries, wages and other benefits in kind		5,916	6,743
Contributions to retirement benefits schemes		403	471
		6,319	7,214
Less: Waiving of directors' remuneration		(650)	–
		5,669	7,214
Reversal of impairment loss on prepayments, deposits and other receivables	(i)	(63)	–
Reversal of impairment loss on accounts receivable	(i)	(59)	(638)
Cost of inventories recognised as an expense	(ii)	352,363	204,789
Depreciation of property, plant and equipment		1,284	1,466
Depreciation of right-of-use assets		2,130	483
Net foreign exchange losses		–	19,069
Leases payments relating to short-term leases in respect of land and buildings		–	16
Gross rental income from investment properties		(2,381)	(2,015)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the period		–	55
		(2,381)	(1,960)

Notes:

- (i) Amounts were included in “Other operating (expenses)/income - net” in the condensed consolidated statement of profit or loss.
- (ii) The amount included write-down on inventories of approximately HK\$186,000 (six months ended 30 June 2021: nil).

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings wholly repayable within five years	981	1,262
Loan arrangement fee for other loan	440	460
Financial charges on lease liabilities	1,094	18
	<u>2,515</u>	<u>1,740</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Elsewhere		
Over-provision in prior period	–	(2)
Deferred tax credit	(1,554)	(2,135)
Withholding tax charge		
– the PRC	229	134
	<u>229</u>	<u>134</u>
Total tax credit for the period	<u>(1,325)</u>	<u>(2,003)</u>

8. DISCONTINUED OPERATION AND DEEMED DISPOSAL OF A SUBSIDIARY

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

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

Hunan Taiji, which was engaged in the manufacture and sale of construction materials, was classified as a discontinued operation of the Group during the six months period ended 30 June 2021 upon the deemed disposal of Hunan Taiji on 15 April 2021. Accordingly, the management of the Company had determined that Hunan Taiji was de-consolidated from the consolidated financial statements of the Group with effect from 15 April 2021 and recognised as equity investments at FVTPL.

The results from the discontinued operation, the gain on deemed disposal of a subsidiary and the related cash flow information are analysed and presented as follows:

(a) The results

	Period from 1 January to 15 April 2021 (Unaudited) HK\$'000
Discontinued operation	
Revenue	–
Cost of sales and services	–
	<hr/>
Gross profit	–
Other income and gains	–
Administrative expenses	(2,649)
Other operating expenses, net	(348)
Provision for dissolution costs for discontinued operation	(8,396)
Gain on deemed disposal of Hunan Taiji (<i>note 8(b)</i>)	20,066
	<hr/>
Gain from the discontinued operation	8,673
	<hr/> <hr/>
Gain/(loss) for the period attributable to:	
Owners of the Company	13,253
Non-controlling interests	(4,580)
	<hr/>
	8,673
	<hr/> <hr/>

**8. DISCONTINUED OPERATION AND DEEMED DISPOSAL OF A SUBSIDIARY
(CONTINUED)**

(b) The gain on deemed disposal of a subsidiary

The net assets of Hunan Taiji as at the date of deemed disposal are as follows:

	(Unaudited) <i>HK\$'000</i>
Properly, plant and equipment	35,540
Right-of-use assets	17,818
Prepayments, deposits and other receivables	49
Amounts due from related companies	12,974
Cash and bank balances	6
Accounts payable	(854)
Accruals and other payables	(42,996)
Amounts due to related companies	(747)
	<hr/>
Net assets disposed of	21,790
	<hr/>
Gain on deemed disposal:	
Net assets disposed of	(21,790)
Non-controlling interests	7,910
Reclassification of exchange fluctuation reserve to profit or loss	5,746
Fair value of the equity interests in Hunan Taiji	28,200
	<hr/>
	20,066
	<hr/> <hr/>
Net cash outflow arising on deemed disposal:	
Cash and cash equivalents disposed of	(6)
	<hr/> <hr/>

(c) The net cash flows

	Period from 1 January to 15 April 2021 (Unaudited) <i>HK\$'000</i>
Net cash outflow from operating activities and net decrease in cash and cash equivalents	(50)
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9. EARNINGS/(LOSS) PER SHARE

(a) Continuing and discontinued operations

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings/(loss) for the period attributable to owners of the Company (HK\$'000)	<u><u>11,803</u></u>	<u><u>(9,803)</u></u>
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings/(loss) per share	<u><u>1,206,249,251</u></u>	<u><u>1,206,249,251</u></u>

(b) Continuing operations

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings/(loss) for the period from continuing operations (HK\$'000)	<u><u>11,803</u></u>	<u><u>(23,056)</u></u>

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

(c) Discontinued operation

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings for the period from the discontinued operation (HK\$'000)	<u><u>–</u></u>	<u><u>13,253</u></u>

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

The Company had no potential ordinary shares in issue as at 30 June 2022 and 2021.

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

11. ACCOUNTS RECEIVABLE

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Accounts receivable	1,381	1,196
Impairment	<u>(1,244)</u>	<u>(1,196)</u>
	<u>137</u>	<u>–</u>

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

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	69	–
1 to 3 months	68	–
Over 3 months	<u>–</u>	<u>–</u>
	<u>137</u>	<u>–</u>

12. ACCOUNTS PAYABLE

The following is an aged analysis of the Group’s accounts payable as at the end of the reporting period, based on invoice date:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	–	2
1 to 3 months	–	–
Over 3 months	<u>362</u>	<u>2,747</u>
	<u>362</u>	<u>2,749</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months period ended 30 June 2022 (the “Relevant Period”), the Group recorded revenue of approximately HK\$365,628,000, representing a significant increase of 69.70% over HK\$215,451,000 of the corresponding period last year. The increase in revenue was mainly attributable to the continued expansion in business scale of the trading of mineral concentrates business relating to nickel cathodes with increased trading volume and amount during the Relevant Period. The Group’s gross profit during the Relevant Period was approximately HK\$13,106,000 (six months ended 30 June 2021: HK\$10,607,000), thanks to the contribution from the trading of mineral concentrates business segment and the property management services business segment. During the Relevant Period, as (1) the Group’s administrative expenses decreased to approximately HK\$12,708,000 from approximately HK\$32,413,000; and (2) the Group’s other income and gains increased from approximately HK\$1,532,000 to approximately HK\$16,130,000, which were mainly attributable to the recognition of the net foreign exchange gains of approximately HK\$15,026,000 by the Group during the Relevant Period (six months ended 30 June 2021: net foreign exchange loss of approximately HK\$19,069,000), the Group was able to record a turnaround in its financial results and recorded operating profits for the Relevant Period from continuing operations of approximately HK\$12,993,000, compared to operating loss from continuing operations in an amount of approximately HK\$23,319,000 for the corresponding period last year. The Group recognised a profit of approximately HK\$11,803,000 for the Relevant Period (six months ended 30 June 2021: loss of HK\$14,383,000). Basic and diluted earnings per share from continuing and discontinued operations attributable to shareholders of the Company was HK cents 0.98 (six months ended 30 June 2021: loss of HK cents 0.81).

OPERATION REVIEW

Trading of mineral concentrates business

During the Relevant Period, the trading of mineral concentrates business segment principally operates in two main aspects: (1) Overseas Nickel Trading-sourcing mineral concentrates (branded electrolytic nickel cathodes) from Russia and exporting them to the trading intermediates and end customers in the PRC and (2) Onshore Nickel Trading-sourcing nickel concentrates in the PRC and selling them to the end customers in the PRC.

During the Relevant Period, with regard to the Overseas Nickel Trading, with limited availability of product supply, the Group was only able to trade an aggregate volume of approximately more than 633 tons (six months ended 30 June 2021: 933 tons) of nickel, with a revenue of approximately HK\$143,890,000 (six months ended 30 June 2021: HK\$125,656,000) being recognised by the Group. Given the ongoing strong market demand for nickel product, which led to the remarkable increase in the average selling price, this product stream continued to enable the Group to strengthen its revenue base in this business segment.

During the Relevant Period, as a result of the strong domestic demand for nickel product, as regards the Onshore Nickel Trading, the Group strived to keep on sourcing of nickel products in the domestic market of the PRC and to sell to end customers in the PRC thanks to a strong customer base the Group has been capturing. The Group has been able to trade an aggregate volume of more than 917 tonnes of nickel products during the current period under review (six months ended 30 June 2021: 592 tonnes), with a revenue of approximately HK\$209,623,000 (six months ended 30 June 2021: HK\$80,075,000) being recognised by the Group.

Based on the foregoing, during the Relevant Period, the business of trading of mineral concentrates recorded a segment profit of approximately HK\$1,166,000 (six months ended 30 June 2021: HK\$59,000).

Securities investments

As the securities markets in Hong Kong and the PRC have been vulnerable to a high level of uncertainty and volatility, there emerged limited opportunities for securities investment. During the Relevant Period, the Group did not make any alteration to its investment portfolio and continued to invest in 5,820,000 shares of a Hong Kong listed company engaged in financial services. As at 30 June 2022, the Group recognised relevant fair value gains on equity investments at FVTPL – held for trading of approximately HK\$291,000 (six months ended 30 June 2021: loss of HK\$447,000), the positive impact of which has been enlarged with a dividend income related to the investment of approximately HK\$1,726,000 (six months ended 30 June 2021: HK\$1,335,000).

Coal mining business

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

During the Relevant Period, this business segment recorded revenue of nil (six months ended 30 June 2021: nil). However, the Group was able to record a segment profit of approximately HK\$4,743,000 (six months ended 30 June 2021: loss of HK\$5,968,000) during the Relevant Period, which was mainly attributable to the improvement of the current period end exchange rate of Soles against US\$.

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

Property investment and development

During the Relevant Period, the segment of property investment and development recorded a segment loss of approximately HK\$3,783,000 (six months ended 30 June 2021: HK\$3,435,000).

Investment properties in Beijing

During the Relevant Period, the rental income from property leasing in Beijing, the PRC was approximately HK\$2,381,000 (six months ended 30 June 2021: HK\$2,015,000). These investment properties in Beijing recorded fair value loss of approximately HK\$3,471,000 (six months ended 30 June 2021: HK\$3,683,000) in respect of the revaluation, which mainly accounted for the loss in this business segment. Notwithstanding these, the Group expects these investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation in future.

Property management services

On 8 February 2021 and 14 July 2021, the Group entered into agreements with Macrolink Development and Investment Limited (“Macrolink Development and Investment”) and Macrolink Holding Co., Ltd., respectively, to provide property operation and management, solicitation of business and tenants and other related services in relation to certain owned and entrusted properties. During the Relevant Period, the Group achieved to recognise a property management income of approximately HK\$6,805,000 (six months ended 30 June 2021: HK\$6,790,000) and HK\$912,000, respectively (six months ended 30 June 2021: nil).

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

Based on the above, the Group was able to recognise a profit of approximately HK\$5,685,000 (six months ended 30 June 2021: HK\$6,596,000) in this business segment.

OUTLOOK

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

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

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

Trading in the Company's shares has been suspended with effect from 9:00 a.m. on 15 February 2022 and shall remain suspended until further notice. The Group will continue to identify projects with good potential and prospect to expand the business of the Group, and seek to resume trading in the Company's shares as soon as possible in full compliance with the Listing Rules and in a manner satisfactory to the Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's total equity amounted to approximately HK\$81,739,000 (31 December 2021: HK\$82,915,000), representing a decrease of 1.42% compared with that as at 31 December 2021. The Group's current ratio as at 30 June 2022 was 0.78 (31 December 2021: 0.69). The Group's gearing ratio, expressed as a ratio of total interest-bearing other borrowings to total assets as at 30 June 2022, was 0.04 (31 December 2021: 0.07).

The Group had no particular seasonal pattern of borrowing. As at 30 June 2022, the Group had secured other loan and unsecured other loan amounting to HK\$8,000,000 (31 December 2021: HK\$22,000,000) and HK\$5,858,000 (31 December 2021: HK\$6,115,000), respectively. The secured other loan is denominated in HK\$, interest-bearing at 8.5% per annum and its repayment is in January 2023. The unsecured other loan is denominated in RMB and interest-bearing at 9.5% per annum and repayable on demand.

As at 30 June 2022, the Group's cash and cash equivalents totaled approximately HK\$116,118,000 (31 December 2021: HK\$113,943,000), which were mainly denominated in HK\$, US\$, RMB and Soles.

As at 30 June 2022, the Group had aggregate banking and other facilities of HK\$8,000,000 (31 December 2021: HK\$22,000,000) and had no unutilised banking and other facilities (31 December 2021: nil) available for drawdown.

The Group recorded net current liabilities of approximately HK\$55,731,000 as at 30 June 2022. This condition indicates the existence of material uncertainties which may cast doubt about the Group's ability to continue as going concerns.

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

- (a) Continuing implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) Obtaining financial support from two related companies to which the Group was indebted in an amount of RMB13,000,000 (approximately HK\$15,230,000) and HK\$150,000,000 respectively, as at 30 June 2022. The related companies have undertaken not to request for repayment of the amount for twelve months from the date of this announcement;
- (c) Exploring the possibility of disposing assets of the Group and equity interests of the Company's subsidiaries to enhance its liquidity position; and
- (d) Further developing and exploring the potential of the property management services business segment of the Group, thereby generating stable income and operating cash flows to the Group.

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

CAPITAL STRUCTURE

During the Relevant Period, there have been no change in the issued share capital of the Company. As at 30 June 2022, the Company's number of issued ordinary shares was 1,206,249,251.

GROUP STRUCTURE

Apart from one wholly-owned subsidiary of the Company being deregistered, there has been no change in the structure of the Group during the Relevant Period.

MATERIAL ACQUISITIONS AND CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no significant capital commitments (31 December 2021: nil).

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

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

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

TREASURY POLICIES AND FOREIGN EXCHANGE RISK

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

CHARGE OF ASSETS

As at 30 June 2022, certain of the Group’s investment properties with carrying amount of approximately HK\$37,781,000 (31 December 2021: HK\$40,336,000) have been pledged to other lender to secure loan facilities.

STAFF AND REMUNERATION

The Group had 25 employees in total as at 30 June 2022 (31 December 2021: 30) mainly in Hong Kong, the PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment terms which are based on industry practice. The Group implemented its remuneration policy and discretionary bonus based on the performance of the Group and its employees. The Group provides benefits such as social and medical insurance and pensions to ensure its competitiveness.

OUTSTANDING LITIGATION

During the six months ended 30 June 2022, the two ongoing claims against Minera RC S.A.C., an indirect wholly-owned subsidiary of the Company, regarding the two fatal accidents occurred in a mining site operated by the Group in Peru are still pending to final court rulings. In July 2022, Minera RC S.A.C. received a ruling on the first appeal on the ruling dated 21 January 2022 issued by a labour court in Peru and it ruled that the compensation was reduced from approximately Soles 1,275,000 to Soles 894,000 (equivalent to approximately HK\$1,896,000) regarding one of the two fatal accident cases. In August 2022, the management of Minera RC S.A.C. has filed a second appeal to rebut the ruling as the compensation should not be fully borne by it since it has insured for the workers. Meanwhile, the ruling on another fatal accident claiming a compensation of approximately Soles 1,309,000 (equivalent to approximately HK\$2,776,000) has not been issued up to the date of this announcement. A total provision of approximately Soles 2,584,000 (equivalent to approximately HK\$5,032,000) for the two claims was recognised during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters on 30 August 2022. The Audit Committee has also reviewed and discussed with the management of the Company about the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company had complied with the code provisions set out in the Corporate Governance Code (“CG Code”) as contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2022, save as the deviation from code provisions, E.1.2 and A.6.7 which is explained as follows:

- Under code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board and the chairman of the Nomination Committee did not attend the annual general meeting of the Company held on 22 June 2022 (“AGM”) due to other business engagement. The chairman of the Audit Committee, the chairman of the Remuneration Committee and certain members of the Nomination Committee were present at the AGM to answer the shareholders’ questions.
- Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the current period, not all the independent non-executive directors attended the AGM due to other business engagement. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that the independent non-executive directors can attend the general meetings in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2022.

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

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (<http://macrolinkcapital.etnet.com.hk>). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders of the Company and published on the same websites in due course.

By Order of the Board
Fu Kwan
Chairman

Hong Kong, 30 August 2022

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