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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 2023

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 2023 together with the comparative figures for corresponding period in 2022, 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 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	4	512,386	365,628
Cost of sales and services		(499,456)	(352,522)
Gross profit		12,930	13,106
Other income, gains and losses, net	4	7,415	16,130
Administrative expenses		(15,922)	(12,708)
Other operating income/(expenses) – net		1,842	(64)
Fair value loss on investment properties		(3,070)	(3,471)
Operating profit	5	3,195	12,993
Finance costs	6	(763)	(2,515)
Profit before tax		2,432	10,478
Income tax credit	7	1,156	1,325
Profit for the period attributable to owners of the Company		3,588	11,803
Earnings per share attributable to owners of the Company			
Basic and diluted	8	HK0.30 cents	HK0.98 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	3,588	11,803
Other comprehensive expense, net of tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(7,644)</u>	<u>(12,979)</u>
Total comprehensive expenses for the period attributable to owners of the Company	<u>(4,056)</u>	<u>(1,176)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		38,571	37,733
Investment properties		64,505	68,961
Right-of-use assets		1,550	369
Other intangible assets		–	–
Equity investments at fair value through profit or loss		–	–
		104,626	107,063
Current assets			
Inventories		32,744	30,221
Accounts receivable	10	37	–
Prepayments, deposits and other receivables		36,502	21,309
Tax recoverable		8	8
Amounts due from related companies		1,004	997
Financial instruments at fair value through profit or loss		17,119	15,539
Cash and bank balances		105,787	98,348
		193,201	166,422
Current liabilities			
Accounts payable	11	823	805
Other payables and accruals		81,149	44,010
Interest-bearing other borrowings		13,423	13,597
Amount due to immediate holding company		100,000	100,000
Amounts due to related companies		4,511	12,571
Lease liabilities		800	375
		200,706	171,358
Net current liabilities		(7,505)	(4,936)
Total assets less current liabilities		97,121	102,127

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30 June 2023

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Non-current liabilities		
Lease liabilities	751	–
Deferred tax liabilities	<u>28,513</u>	<u>30,214</u>
	<u>29,264</u>	<u>30,214</u>
Net assets	<u><u>67,857</u></u>	<u><u>71,913</u></u>
Equity attributable to owners of the Company		
Share capital	120,625	120,625
Reserves	<u>(52,768)</u>	<u>(48,712)</u>
	<u><u>67,857</u></u>	<u><u>71,913</u></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 2022.

The Group recorded net current liabilities of approximately Hong Kong dollars (“HK\$”) 7,505,000 as at 30 June 2023. 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 closely monitoring capital expenditure; and
- (b) Obtaining financial support from the immediate holding company to which the Company was indebted in an amount of HK\$100,000,000 as at 30 June 2023. The immediate holding company has undertaken not to request for repayment of the indebted amount for twelve months from the date of this announcement.

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, equity investments and certain financial assets 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.

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 2022, except for the adoption of the amendments effective as of 1 January 2023 below.

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

HKFRS 17 and Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>

The application of the new and 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 six 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 products segment engages in the trading of mineral concentrates, electrolytic cobalt, nickel beads, nickel beans and iron ore;
- (e) the coal mining segment engages in the exploration and development of coal mine concessions and mining for sale of coal; and
- (f) the others segment engages in the sale of parts of mining equipment.

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 before tax except that bank interest income and other unallocated income and gains, fair value gain on unlisted equity investments at fair value through profit or loss ("FVTPL"), finance costs as well as other unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude unlisted equity investments at FVTPL, 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, amount due to the immediate holding company, 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 2023

	Property investment and development (Unaudited) HK\$'000	Property management services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Trading of mineral products (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:							
Sales to/revenue from external customers	2,155	6,357	-	501,536	-	-	510,048
Investment income	-	-	2,338	-	-	-	2,338
Total revenue and investment income	<u>2,155</u>	<u>6,357</u>	<u>2,338</u>	<u>501,536</u>	<u>-</u>	<u>-</u>	<u>512,386</u>
Segment results	<u>(3,449)</u>	<u>5,923</u>	<u>2,338</u>	<u>2,425</u>	<u>1,119</u>	<u>884</u>	<u>9,240</u>
Bank interest income and other unallocated income and gains							6,482
Corporate and other unallocated expenses							(12,527)
Unallocated finance costs							(763)
Profit before tax							<u>2,432</u>

3. SEGMENT INFORMATION (CONTINUED)

Segment results (Continued)

For the six months ended 30 June 2022

	Property investment and development (Unaudited) HK\$'000	Property management services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Trading of mineral products (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (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	<u>2,381</u>	<u>7,717</u>	<u>2,017</u>	<u>353,513</u>	<u>-</u>	<u>-</u>	<u>365,628</u>
Segment results	<u>(3,783)</u>	<u>5,685</u>	<u>2,017</u>	<u>1,166</u>	<u>4,743</u>	<u>316</u>	<u>10,144</u>
Bank interest income and other unallocated income and gains							11,907
Corporate and other unallocated expenses							(9,058)
Unallocated finance costs							<u>(2,515)</u>
Profit before tax							<u>10,478</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 2023

	Property investment and development (Unaudited) <i>HK\$'000</i>	Property management services (Unaudited) <i>HK\$'000</i>	Securities investments (Unaudited) <i>HK\$'000</i>	Trading of mineral products (Unaudited) <i>HK\$'000</i>	Coal mining (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Assets and liabilities:							
Segment assets	<u>73,388</u>	<u>-</u>	<u>16,121</u>	<u>37,128</u>	<u>1,536</u>	<u>171</u>	128,344
Corporate and other unallocated assets							<u>169,483</u>
Total assets							<u>297,827</u>
Segment liabilities	<u>35,391</u>	<u>-</u>	<u>-</u>	<u>19,767</u>	<u>5,186</u>	<u>25</u>	60,369
Corporate and other unallocated liabilities							<u>169,601</u>
Total liabilities							<u>229,970</u>

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

As at 31 December 2022

	Property investment and development (Audited) <i>HK\$'000</i>	Property management services (Audited) <i>HK\$'000</i>	Securities investments (Audited) <i>HK\$'000</i>	Trading of mineral products (Audited) <i>HK\$'000</i>	Coal mining (Audited) <i>HK\$'000</i>	Others (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Assets and liabilities:							
Segment assets	<u>77,199</u>	<u>5</u>	<u>15,591</u>	<u>32,955</u>	<u>474</u>	<u>287</u>	126,511
Corporate and other unallocated assets							<u>146,974</u>
Total assets							<u>273,485</u>
Segment liabilities	<u>37,947</u>	<u>237</u>	<u>-</u>	<u>2,205</u>	<u>4,783</u>	<u>1,058</u>	46,230
Corporate and other unallocated liabilities							<u>155,342</u>
Total liabilities							<u>201,572</u>

3. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The People's Republic of China (the "PRC")	510,048	363,611
Hong Kong	2,338	2,017
	<u>512,386</u>	<u>365,628</u>

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

(b) Non-current assets

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	64,696	69,171
Peru	38,371	37,522
Hong Kong	1,559	370
	<u>104,626</u>	<u>107,063</u>

The non-current assets information 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A (attributable to trading of mineral products segment)	59,444	80,258
Customer B (attributable to trading of mineral products segment)	121,867	79,196
Customer C (attributable to trading of mineral products segment)	189,051	50,330
Customer D (attributable to trading of mineral products segment)	–	44,700
	<u>–</u>	<u>44,700</u>

4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Revenue from contracts with customers		
Sale of mineral products	501,536	353,513
Property management services income	6,357	7,717
Revenue from other sources		
Gross rental income	2,155	2,381
Fair value gains:		
Equity investments at FVTPL		
– held for trading	582	291
Dividend income	1,756	1,726
	<u>512,386</u>	<u>365,628</u>
Other income, gains and losses, net		
Bank interest income	185	204
Management fee income	279	380
(Loss)/gain arising on change in financial instruments at FVTPL	(1,003)	488
Net foreign exchange gains	7,954	15,026
Others	–	32
	<u>7,415</u>	<u>16,130</u>

5. OPERATING PROFIT

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

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Current employee benefits expense (including directors' remuneration)			
Salaries, wages and other benefits in kind		6,654	5,916
Contributions to retirement benefits schemes		499	403
		7,153	6,319
Less: Waiver of amounts due to directors		–	(650)
		7,153	5,669
Reversal of impairment loss on prepayments, deposits and other receivables	(i)	(31)	(63)
Reversal of impairment loss on accounts receivable	(i)	(23)	(59)
Cost of inventories recognised as an expense	(ii)	498,664	352,363
Depreciation of property, plant and equipment		1,275	1,284
Depreciation of right-of-use assets		436	2,130
Write-off of property, plant and equipment	(i)	8	–
Fair value gain on unlisted equity investments at FVTPL	(i)	(1,796)	–
Leases payments relating to short-term leases in respect of land and buildings		42	–
Gross rental income from investment properties		(2,155)	(2,381)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the period		–	–
		(2,155)	(2,381)

Notes:

- (i) Amounts were included in “Other operating income/(expenses) - net” in the condensed consolidated statement of profit or loss.
- (ii) The amount included write-down on inventories of nil (six months ended 30 June 2022: HK\$186,000).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings wholly repayable within five years	598	981
Loan arrangement fee for other loan	160	440
Financial charges on lease liabilities	5	1,094
	<u>763</u>	<u>2,515</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax credit	(1,332)	(1,554)
Withholding tax charge		
– the PRC	176	229
	<u>(1,156)</u>	<u>(1,325)</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Earnings for the period attributable to owners of the Company (HK\$'000)	3,588	11,803
Number of shares		
Weighted average number of ordinary shares in issue during the period used in basic and diluted earnings per share calculation	1,206,249,251	1,206,249,251

The Company had no potential ordinary shares in issue as at 30 June 2023 and 2022.

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

10. ACCOUNTS RECEIVABLE

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Accounts receivable	667	624
Impairment	(630)	(624)
	37	–

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 United States dollars (“US\$”) and Peruvian Soles (“Soles”).

10. ACCOUNTS RECEIVABLE (CONTINUED)

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	12	–
1 to 3 months	25	–
Over 3 months	–	–
	<hr/>	<hr/>
	37	–
	<hr/> <hr/>	<hr/> <hr/>

11. 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	–	409
1 to 3 months	409	–
Over 3 months	414	396
	<hr/>	<hr/>
	823	805
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months period ended 30 June 2023 (the “Relevant Period”), the Group recorded revenue of approximately HK\$512,386,000, representing a significant increase of 40.14% over HK\$365,628,000 of the corresponding period last year. The increase in revenue was attributable to the continued expansion in business scale of the trading of mineral products 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\$12,930,000 (six months ended 30 June 2022: HK\$13,106,000), thanks to the contribution from the trading of mineral products business segment, the property management services business segment, the securities investments business segment and the property investment and development business segment. During the Relevant Period, other net operating income amounted to approximately HK\$1,842,000 (six months ended 30 June 2022: other net operating expenses of HK\$64,000), thanks to the recognition of fair value gain on unlisted equity investments at FVTPL of approximately HK\$1,796,000 (six months ended 30 June 2022: nil). As (1) the Group’s other income, gains and losses, net decreased from approximately HK\$16,130,000 to approximately HK\$7,415,000 during the Relevant Period, which was mainly attributable to a decrease in recognition of net exchange gain of approximately HK\$7,954,000 (six months ended 30 June 2022: HK\$15,026,000); and (2) the Group’s administrative expenses increased from approximately HK\$12,708,000 to approximately HK\$15,922,000 during the Relevant Period, which was mainly attributable to the increase of legal, professional and other incidental expenses in relation to due diligence of ad-hoc projects of the Company, the Group was only able to recognise a profit of approximately HK\$3,588,000 for the Relevant Period (six months ended 30 June 2022: HK\$11,803,000). Basic and diluted earnings per share attributable to shareholders of the Company was HK cents 0.30 (six months ended 30 June 2022: HK cents 0.98).

OPERATION REVIEW

Trading of mineral products business

During the Relevant Period, the trading of mineral products business segment continues to evolve in the sourcing of nickel cathodes from Russia and of nickel concentrates and nickel products in the PRC, and selling them to trading intermediates and/or downstream customers in the PRC.

In the first half of 2023, the Group sold a total of approximately 2,617 tonnes (six months ended 30 June 2022: 1,550 tonnes) of nickel, generating approximately HK\$491,954,000 (six months ended 30 June 2022: HK\$353,513,000) in revenue, representing an increase of 1,067 tonnes (or 68.85%) of nickels sold, and an increase of approximately HK\$138,441,000 (or 39.16%) in revenue, compared to the same period in 2022. In addition, the Group was able to engage in trading of other mineral products, including electrolytic cobalt, in an amount of approximately HK\$9,582,000 (six months ended 30 June 2022: nil).

Given the ongoing strong domestic demand for nickel products in the PRC, the Group strived to continue diversifying its customer and supplier base, devoting its efforts to strengthen its operational scale in the offering of nickel products along the natural resources supply chain of the Group. The efforts were paying off and during the Relevant Period, the Group recorded a segment profit of approximately HK\$2,425,000 (six months ended 30 June 2022: HK\$1,166,000). With this stable improvement in the operational performance, it can lay a solid foundation for developing and expanding its business with different natural resources product portfolio of the Group's broader supply chain business.

Securities investments business

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 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 2023, the Group recognised relevant fair value gains on equity investments at FVTPL – held for trading of HK\$582,000 (six months ended 30 June 2022: HK\$291,000), the positive impact of which has been enlarged with a dividend income related to the investment of approximately HK\$1,756,000 (six months ended 30 June 2022: HK\$1,726,000).

Coal mining business

The Group owns mining concessions pertaining to coal mines in Peru. However, the Group suspended its coal production since March 2019 as revenue generated from its operation was not sufficient to cover its operational and production cost given its depressed market price at the relevant time. Such situation was aggravated under the COVID-19 coronavirus outbreak.

During the Relevant Period, thanks to the progressive recovery from the macroeconomic downturn arising from crackdown of the COVID-19 as well as the improving and stabilising market conditions in domestic and international coal industries, the Group plans to resume exploitation activities and has commenced preparation for the resumption of operation of one of its coal mines in Peru. It is expected that the Group will be able to re-commence its sales of coal products once the outstanding licensing requirements are fulfilled.

During the Relevant Period, this business segment recorded revenue of nil (six months ended 30 June 2022: nil) and a segment profit of approximately HK\$1,119,000 (six months ended 30 June 2022: HK\$4,743,000), which was mainly attributable to the recognition of foreign exchange gains during both periods presented.

Property investment and development business

During the Relevant Period, the segment of property investment and development recorded a segment loss of approximately HK\$3,449,000 (six months ended 30 June 2022: HK\$3,783,000).

Investment properties in Beijing

During the Relevant Period, the rental income from property leasing in Beijing, the PRC was approximately HK\$2,155,000 (six months ended 30 June 2022: HK\$2,381,000). These investment properties in Beijing recorded fair value loss of approximately HK\$3,070,000 (six months ended 30 June 2022: HK\$3,471,000) 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 business

On 8 February 2021 and 14 July 2021, the Group entered into agreements with Macrolink Development and Investment Limited (the “MDI Property Management Service”) and Macrolink Holding Co., Ltd. (the “MHC Property Management Service”), 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\$6,357,000 for the MDI Property Management Service (six months ended 30 June 2022: HK\$6,805,000) and nil for the MHC Property Management Service (six months ended 30 June 2022: HK\$912,000), respectively. A termination agreement to early terminate the property entrusted management contract was entered into with Macrolink Holding Co., Ltd. with effect from 30 September 2022.

Based on the above, the Group was able to recognise a profit of approximately HK\$5,923,000 (six months ended 30 June 2022: HK\$5,685,000) in this business segment.

OUTLOOK

Since early 2020, the COVID-19 coronavirus 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, and given the progressive economic recovery arising from the crackdown of the COVID-19, 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 optimise 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 optimisation of its asset allocation. While continuing to operate its property investment business and property management services business, the Group is striving to focus on developing its business along the natural resources supply chain, with strengthening of its prevailing operations in trading of mineral products business and coal mining business, as well as adding new product, such as iron ore, to its product mix with an aim to improving its profitability, increasing shareholder returns, and laying a solid foundation for its future development.

The Group has recently re-initiated its supply chain business in Peru, by sourcing and processing iron ore in the territory for export sales. It is expected that the integration of iron ore into the product portfolio can strengthen the Group's strategic position in developing the business along the natural resources supply chain.

Looking into the future, the management of the Group believes that, leveraging on the experience of the Group's management 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. The management is committed to grasping and creating business opportunities with a view to bringing long-term and substantial returns to shareholders and the Group.

Trading in the Company's shares has been suspended with effect from 9:00 a.m. on 15 February 2022 and shall remain suspended until further notice. The Company is applying to the Stock Exchange seeking the resumption of trading in the Company's shares.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's total equity amounted to approximately HK\$67,857,000 (31 December 2022: HK\$71,913,000), representing a decrease of 5.64% compared with that as at 31 December 2022. The Group's current ratio as at 30 June 2023 was 0.96 (31 December 2022: 0.97). The Group's gearing ratio, expressed as a ratio of total interest-bearing other borrowings to total assets as at 30 June 2023, was 0.05 (31 December 2022: 0.05).

The Group had no particular seasonal pattern of borrowing. As at 30 June 2023, the Group had secured other loan and unsecured other loan amounting to HK\$8,000,000 (31 December 2022: HK\$8,000,000) and HK\$5,423,000 (31 December 2022: HK\$5,597,000), respectively. The secured other loan is denominated in HK\$, interest-bearing at 8.5% per annum and its repayment is in January 2024. The unsecured other loan is denominated in Renminbi ("RMB") and interest-bearing at 9.5% per annum and repayable on demand.

As at 30 June 2023, the Group's cash and cash equivalents totaled approximately HK\$105,724,000 (31 December 2022: HK\$98,285,000), which were mainly denominated in HK\$, US\$, RMB and Soles.

As at 30 June 2023, the Group had aggregate banking and other facilities of HK\$8,000,000 (31 December 2022: HK\$8,000,000) and had no unutilised banking and other facilities (31 December 2022: nil) available for drawdown.

The Group recorded net current liabilities of approximately HK\$7,505,000 as at 30 June 2023. 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 closely monitoring capital expenditure; and
- (b) Obtaining financial support from the immediate holding company to which the Company was indebted in an amount of HK\$100,000,000 as at 30 June 2023. The immediate holding company has undertaken not to request for repayment of the amount for twelve months from the date of this announcement.

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 2023, the Company's number of issued ordinary shares was 1,206,249,251.

GROUP STRUCTURE

Apart from one wholly-owned subsidiary of the Company, namely Macrolink America LLC, 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 2023, the Group had no significant capital commitments (31 December 2022: nil).

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 Relevant Period, 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 2023, certain of the Group's investment properties with carrying amount of approximately HK\$34,082,000 (31 December 2022: HK\$36,432,000) have been pledged to other lender to secure loan facilities.

STAFF AND REMUNERATION

The Group had 54 employees in total as at 30 June 2023 (31 December 2022: 25) 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 LITIGATIONS AND ARBITRATIONS

- (a) During the Relevant Period, 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 appeal 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\$1,906,000) regarding one of the two fatal accident cases. Subsequently 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. Minera RC S.A.C. also received a ruling dated 8 June 2022 on another fatal accident issued by a labour court in Peru. According to the first instance ruling, Minera RC S.A.C. was liable to pay a compensation of approximately Soles 463,000 (equivalent to approximately HK\$988,000) and both the management of Minera RC S.A.C. and the applicant of the claim filed an appeal subsequently. In March 2023, Minera RC S.A.C. received a ruling on the appeal issued by the labour court in Peru and it ruled that the compensation was increased to approximately Soles 660,000 (equivalent to approximately HK\$1,407,000). Minera RC S.A.C. filed an appeal on 30 March 2023. Based on the legal opinion from the legal advisors in Peru, the directors of the Company took the view that provisions of compensation for the two claims with respect to the latest rulings issued were sufficient, and that these two ongoing claims have no material impact on the Group's business, operation and financial position, in particular, the planned resumption of the coal mining business.

- (b) In October 2022, Junefield (Building Material) Limited, an indirect wholly-owned subsidiary of the Company, filed an application for arbitration proceedings at the China International Economics and Trade Arbitration Commission (the “Arbitration Commission”) against the minority shareholder of Hunan Taiji, 澧源鋼鐵集團有限公司, for compensations on, inter alia, failing to procure the requested amount of supply of the granulated steel slag for production for the period from 1 September 2016 to 30 September 2023. The application was successfully accepted to proceed by the Arbitration Commission in January 2023. Up the date of this announcement, the arbitration proceeding is still in progress.

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 16 August 2023. 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 2023.

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 2023, save as the deviation from code provisions, F.2.2 and C.1.6 which is explained as follows:

- Under code provision F.2.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The Chairman of the Board and the chairman of the Nomination Committee did not attend the annual general meeting of the Company held on 21 June 2023 (“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 C.1.6 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the Relevant Period, not all the independent non-executive directors of the Company attended the AGM due to other business engagement. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that the independent non-executive directors of the Company can attend the general meetings in future.

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 to 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 2023.

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

During the Relevant Period, 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 2023 (six months ended 30 June 2022: 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 2023 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, 17 August 2023

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