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CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Chinlink International Holdings Limited (the “**Company**” or “**Chinlink**”) hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2022 (the “**Previous Period**”), as follows:–

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2023

		Six months ended 30 September	
	<i>Notes</i>	2023	2022
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
			(Restated)
CONTINUING OPERATIONS:			
Revenue	3A		
Services		31,870	39,413
Rental		12,375	17,211
Interest			
– Other interest revenue		2,967	6,060
		<hr/>	<hr/>
Total revenue		47,212	62,684
Cost of sales		(14,967)	(16,352)
		<hr/>	<hr/>
Gross profit		32,245	46,332

* *For identification purpose only*

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

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(Restated)
Other income, gains and losses		61,257	72,340
Loss arising from disposal of a subsidiary		–	(95,353)
Gain on deemed disposal of interest in an associate		–	2,600
Loss on fair value change of investment properties		(82,377)	(24,007)
Allowance under expected credit loss model, net of reversal		(10,875)	(5,184)
Share of profit of an associate		–	1,161
Selling and distribution costs		(5,002)	(6,767)
Administrative expenses		(27,440)	(39,013)
Finance costs	4	(88,492)	(113,364)
Loss before tax		(120,684)	(161,255)
Income tax credit	6	13,234	4,492
Loss for the period from continuing operations	5	(107,450)	(156,763)
DISCONTINUED OPERATIONS:			
Loss for the period from discontinued operations, net of tax		–	(13,919)
Loss for the period		(107,450)	(170,682)
Other comprehensive (expense)/income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(143,262)	(311,434)
Share of exchange difference of an interest in an associate		–	(2,495)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain on equity investments at fair value through other comprehensive income, net of tax		687	–
Other comprehensive expense for the period, net of income tax		(142,575)	(313,929)
Total comprehensive expense for the period		(250,025)	(484,611)

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

For the six months ended 30 September 2023

		Six months ended	
		30 September	
	<i>Notes</i>	2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(Restated)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(105,743)	(148,016)
– from discontinued operations		<u>–</u>	<u>(13,917)</u>
Loss for the period attributable to owners of the Company		<u>(105,743)</u>	<u>(161,933)</u>
Loss for the period attributable to non-controlling interests:			
– from continuing operations		(1,707)	(8,747)
– from discontinued operations		<u>–</u>	<u>(2)</u>
Loss for the period attributable to non-controlling interests		<u>(1,707)</u>	<u>(8,749)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(247,821)	(457,543)
Non-controlling interests		<u>(2,204)</u>	<u>(27,068)</u>
		<u>(250,025)</u>	<u>(484,611)</u>
Total comprehensive expense attributable to owners of the Company arises from:			
– from continuing operations		(247,821)	(443,624)
– from discontinued operations		<u>–</u>	<u>(13,919)</u>
		<u>(247,821)</u>	<u>(457,543)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company for the period:			
From continuing and discontinued operations			
– Basic	7	(9.04)	(13.85)
– Diluted		(9.04)	(13.85)
From continuing operations			
– Basic	7	(9.04)	(12.66)
– Diluted		(9.04)	(12.66)
From discontinued operations			
– Basic	7	–	(1.19)
– Diluted		<u>–</u>	<u>(1.19)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	<i>Notes</i>	30.9.2023 HK\$'000 (unaudited)	31.3.2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		105,202	118,061
Right-of-use assets		20,681	24,245
Investment properties		2,810,347	3,076,168
Equity investment at fair value through other comprehensive income		88,564	93,443
Deposit paid for land auction		862	917
Financial assets at fair value through profit or loss		–	–
Deposits		<u>1,677</u>	<u>1,698</u>
		<u>3,027,333</u>	<u>3,314,532</u>
Current assets			
Properties under development for sale		595,659	633,751
Trade receivables	9	5,012	4,654
Trade receivables from related companies	9	1,169	1,244
Loan receivables	9	47,312	102,617
Factoring receivables	9	105,747	174,931
Other receivables, deposits and prepayments		25,712	28,208
Pledged bank deposits		68,814	80,694
Bank balances and cash		<u>25,448</u>	<u>90,286</u>
		<u>874,873</u>	<u>1,116,385</u>
Current liabilities			
Trade payables	10	663	705
Other payables and accruals		201,949	154,999
Loans from staff		3,275	6,339
Construction costs accruals		325,821	347,478
Receipts in advance		8,914	9,342
Lease liabilities		4,893	4,793
Contract liabilities		126,596	132,230
Deposits received from tenants and customers		22,361	24,334
Deferred income		12,851	14,908
Financial guarantee contracts		711	1,792
Tax payable		1,558	2,388
Bank and other borrowings	11	1,428,287	1,548,526
6.5% coupon bonds		93,340	100,649
13.0% coupon bonds		<u>153,884</u>	<u>228,108</u>
		<u>2,385,103</u>	<u>2,576,591</u>
Net current liabilities		<u>(1,510,230)</u>	<u>(1,460,206)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

At 30 September 2023

	<i>Notes</i>	30.9.2023 <i>HK\$'000</i> (unaudited)	31.3.2023 <i>HK\$'000</i> (audited)
Total assets less current liabilities		<u>1,517,103</u>	<u>1,854,326</u>
Non-current liabilities			
Deferred income		7,496	14,702
Amounts due to directors		50,961	34,035
Lease liabilities		16,864	20,139
Bank and other borrowings	<i>11</i>	39,647	50,869
Amounts due to related companies		36,560	88,626
Deferred tax liabilities		<u>252,598</u>	<u>282,953</u>
		<u>404,126</u>	<u>491,324</u>
		<u>1,112,977</u>	<u>1,363,002</u>
Capital and reserves			
Share capital	<i>12</i>	11,693	11,693
Reserves		<u>1,094,713</u>	<u>1,342,534</u>
Equity attributable to owners of the Company		1,106,406	1,354,227
Non-controlling interests		<u>6,571</u>	<u>8,775</u>
		<u>1,112,977</u>	<u>1,363,002</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Going concern basis

For the six months ended 30 September 2023, the Group incurred a net loss of approximately HK\$107,450,000. As of 30 September 2023, the Group had net current liabilities of approximately HK\$1,510,230,000 while its bank balances and cash amounted to approximately HK\$25,448,000 only as at 30 September 2023. In addition, the Group had outstanding borrowings and bonds of approximately HK\$1,428,287,000 and HK\$247,224,000 respectively which were due for repayment or subject to renewal in the next twelve months after 30 September 2023. The Group has defaulted in repayment of principals and interest of borrowings amounting to approximately HK\$192,543,000 and HK\$17,652,000 respectively during the six months ended 30 September 2023 which carrying amounts of borrowings of approximately HK\$1,179,728,000 as at 30 September 2023 remain outstanding. Further details are set out in Note 11. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (i) the Group is seeking to accelerate the construction progress for preselling the service apartments of the Phase Two Development (as defined below). 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 they fall due;
 - (a) On 22 September 2023, the Group entered a supplemental deed in respect of the settlement and purchase deed with a financial institution for 13.0% coupon bonds with outstanding amounts of approximately HK\$153,884,000 as of 30 September 2023. According to the supplemental deed, the Group agreed to repay accrued interest and principal in a total of approximately US\$10,700,000 in two tranches on or before 31 December 2023. Upon the Group’s fulfilment of the conditions, the Group will obtain a discount for repayment of the remaining balance in the last instalment.

- (b) the Group has requested extending the repayment of the defaulted principals of the bank and other borrowings of approximately HK\$192,543,000 for twelve months from the respective maturity dates. The directors of the Company are confident in further extending the repayment of the principals of the bank and other borrowings taking into consideration the long-term relationship with the lenders. However, the proposed terms were subject to final approval by the lenders as of the date of these unaudited condensed consolidated financial statements.
- (iii) the Group has received written confirmation dated 30 September 2023 from Mr. Li Weibin (“**Mr. Li**”), the chairman, managing director and ultimate controlling shareholder 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 unaudited condensed consolidated financial statements;
- (iv) the Group has taken measures to tighten cost controls over operation costs and expenses to attain profitable and positive cash flow;
- (v) the Group may consider to disposing of non-core business and/or financial assets if required; and
- (vi) the Group is currently soliciting different sources of funds to prevent the aforesaid operating cash flows turned out to be less than forecasted, including additional banking facilities to further support the Group’s funding needs.

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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

3A. REVENUE

Continuing operations

Disaggregation of revenue from contract with customers

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Types of services:		
Revenue from property management services	30,753	36,344
Revenue from financial guarantee services and other financing services	<u>1,117</u>	<u>3,069</u>
Total revenue from contracts with customers	<u>31,870</u>	<u>39,413</u>
Add:		
Rental income under HKFRS 16	12,375	17,211
Interest income under HKFRS 9	<u>2,967</u>	<u>6,060</u>
Total revenue	<u><u>47,212</u></u>	<u><u>62,684</u></u>
Geographical markets:		
PRC	<u>31,870</u>	<u>39,413</u>
Total	<u><u>31,870</u></u>	<u><u>39,413</u></u>
Timing of revenue recognition:		
Over time	<u>31,870</u>	<u>39,413</u>
Total	<u><u>31,870</u></u>	<u><u>39,413</u></u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the six months ended 30 September 2023 and 2022.

	<u>For the six months ended 30 September 2023</u>			
Segment	Revenue disclosed in segment information	Adjustment of rental income	Adjustment of interest income	Revenue from contracts with customers
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Property investment	43,128	(12,375)	–	30,753
Financial guarantee services and other financing services	<u>4,084</u>	<u>–</u>	<u>(2,967)</u>	<u>1,117</u>
Revenue for reportable segment	<u><u>47,212</u></u>	<u><u>(12,375)</u></u>	<u><u>(2,967)</u></u>	<u><u>31,870</u></u>
	<u>For the six months ended 30 September 2022</u>			
Segment	Revenue disclosed in segment information	Adjustment of rental income	Adjustment of interest income	Revenue from contracts with customers
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(Restated)	(Restated)	(Restated)	(Restated)
Property investment	53,555	(17,211)	–	36,344
Financial guarantee services and other financing services	<u>9,129</u>	<u>–</u>	<u>(6,060)</u>	<u>3,069</u>
Revenue for reportable segment	<u><u>62,684</u></u>	<u><u>(17,211)</u></u>	<u><u>(6,060)</u></u>	<u><u>39,413</u></u>

3B. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by the Group.

An operating segment regarding the financial advisory services was discontinued in the current interim period. The segment information reported below does not include any amounts for this discontinued operation.

The Group's operating and reportable segments under HKFRS 8 "Operating segments" are as follows:

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

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

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

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

Continuing operations

Segment revenue and results

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

	Six months ended 30 September 2023		Six months ended 30 September 2022	
	Segment revenue	Segment profit/(loss) for the period	Segment revenue	Segment profit/(loss) for the period
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(Restated)	(Restated)
Continuing operations				
Property investment	43,128	(68,789)	53,555	(103,385)
Financial guarantee services and other financing services	<u>4,084</u>	<u>(10,052)</u>	<u>9,129</u>	<u>195</u>
Revenue and result for reportable segment	<u><u>47,212</u></u>	<u><u>(78,841)</u></u>	<u><u>62,684</u></u>	<u><u>(103,190)</u></u>

	Six months ended 30 September 2023	Segment profit/(loss) for the period HK\$'000 (unaudited)	Six months ended 30 September 2022	Segment profit/(loss) for the period HK\$'000 (unaudited) (Restated)
Continuing operations				
Unallocated income, gains and losses		61,257		72,340
Unallocated allowance under expected credit loss model, net of reversal		36		(466)
Unallocated gain on deemed disposal of interest in an associate		-		2,600
Share of profit of an associate		-		1,161
Unallocated corporate expenses		(14,644)		(20,336)
Finance costs		<u>(88,492)</u>		<u>(113,364)</u>
Loss before tax from continuing operations		<u>(120,684)</u>		<u>(161,255)</u>

Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of unallocated income, gains and losses, unallocated allowance under expected credit loss model, net of reversal, unallocated gain on deemed disposal of interest in an associate, share of profit of an associate, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (Restated)
Continuing operations:		
Interest on bank and other borrowings	65,595	79,658
Interest expense on loan from staff	192	347
Interest expense on amount due to a director	1,218	1,223
Effective interest expense on 6.5% coupon bonds	4,931	7,170
Effective interest expense on 13.0% coupon bonds	11,140	15,553
Imputed interest expense from amount due to a director	723	913
Imputed interest expense from amounts due to related companies	3,532	8,299
Interest expenses on lease liabilities	<u>1,161</u>	<u>201</u>
	<u>88,492</u>	<u>113,364</u>

There was no finance cost capitalised arisen on the general borrowing pool during the six months ended 30 September 2023 and 2022.

5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (Restated)
Continuing operations:		
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	4,668	4,719
Depreciation of right-of-use assets	2,709	4,062
Interest income included in other income, gains and losses	(383)	(2,119)
Net exchange gain included in other income, gains and losses	<u>(52,461)</u>	<u>(59,449)</u>

6. INCOME TAX CREDIT

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (Restated)
Continuing operations:		
Current tax (expense)/credit:		
Hong Kong	-	-
PRC	<u>(602)</u>	<u>184</u>
	(602)	184
Deferred tax	<u>13,836</u>	<u>4,308</u>
	<u>13,234</u>	<u>4,492</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

7. LOSS PER SHARE

(a) Continuing and discontinued operations

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

Loss

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(105,743)</u>	<u>(161,933)</u>

Number of shares

	Six months ended 30 September	
	2023	2022
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,169,288</u>	<u>1,169,288</u>

(b) Continuing operations

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

Loss

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(105,743)</u>	<u>(148,016)</u>

(c) **Discontinued operations**

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

Loss

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u> -</u>	<u> (13,917)</u>

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

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 September 2023 and 2022 is determined by reference to the number of shares in issue during the periods.

During the six months ended 30 September 2023 and 2022, the computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price of shares for both periods.

8. DIVIDEND

No dividend was paid, declared or proposed during the current and prior interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. TRADE RECEIVABLES, TRADE RECEIVABLES FROM RELATED COMPANIES, LOAN RECEIVABLES AND FACTORING RECEIVABLES

Trade receivables

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

	30.9.2023	31.3.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	3,440	1,596
31 – 90 days	293	857
> 90 days	<u>1,279</u>	<u>2,201</u>
	<u>5,012</u>	<u>4,654</u>

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

Trade receivables from related companies

As at 30 September 2023, trade receivables from related companies of approximately HK\$1,169,000 (net the allowance for expected credit losses of approximately HK\$5,000) (31 March 2023: approximately HK\$1,244,000 (net the allowance for expected credit losses of approximately HK\$5,000)) were aged within 30 days based on the invoice date at the end of the reporting period.

Loan receivables

As at 30 September 2023, loan receivables of approximately HK\$47,312,000 (net the allowance for expected credit losses of approximately HK\$38,068,000) (31 March 2023: approximately HK\$102,617,000 (net the allowance for expected credit losses of approximately HK\$37,024,000)) represent the outstanding loan principals and accrued interest from independent third parties which are unsecured and carry interest at fixed rates ranged from 7.0% to 12.5% per annum (31 March 2023: 7.0% to 12.5% per annum). The weighted average effective interest rate of the loan receivables is 7.87% (31 March 2023: 9.5%) per annum. Balances at both 30 September 2023 and 31 March 2023 are repayable within twelve months from the loan advance dates.

The Group's loan receivables balances of approximately HK\$71,902,000 are past due as at 30 September 2023.

Factoring receivables

As at 30 September 2023, factoring receivables of approximately HK\$105,747,000 (net the allowance for expected credit losses of approximately HK\$28,092,000) (31 March 2023: approximately HK\$174,931,000 (net the allowance for expected credit losses of approximately HK\$20,366,000)) represent the outstanding loan principals and accrued interest from independent third parties which are secured by trade receivables of the counterparties and carry interest at fixed rates ranged from 2.0% to 6.0% per annum (31 March 2023: 3.0% to 6.0%). The weighted average effective interest rate of the factoring receivables is 4.1% (31 March 2023: 4.2%) per annum. The Group's factoring receivables as at 30 September 2023 are repayable within twelve months from the loan advance dates.

The Group's factoring receivables balances of approximately HK\$91,051,000 are past due as at 30 September 2023.

10. TRADE PAYABLES

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

	30.9.2023 HK\$'000 (unaudited)	31.3.2023 HK\$'000 (audited)
> 90 days	<u>663</u>	<u>705</u>

11. BANK AND OTHER BORROWINGS

	30.9.2023 <i>HK\$'000</i> (unaudited)	31.3.2023 <i>HK\$'000</i> (audited)
Bank borrowings, secured	1,094,020	1,165,354
Bank borrowings, unsecured	15,456	19,299
Other borrowings, secured	67,221	73,017
Other borrowings, unsecured	291,237	329,268
Bank overdraft	–	12,457
	<u>1,467,934</u>	<u>1,599,395</u>
Carrying amount of the above borrowings are repayable*		
– Within one year	484,826	529,595
– More than one year, but not exceeding two years	39,647	50,869
Sub-total	<u>524,473</u>	<u>580,464</u>
Carrying amount of the bank and other borrowings that contains a repayable on demand clause (shown under current liabilities) but repayable*		
– Within one year	57,983	59,699
– More than one year, but not exceeding two years	48,299	34,258
– More than two years, but not exceeding five years	241,494	239,808
– More than five years	595,685	685,166
Sub-total	<u>943,461</u>	<u>1,018,931</u>
	1,467,934	1,599,395
Less: Amounts shown under non-current liabilities	<u>(39,647)</u>	<u>(50,869)</u>
Amount shown under current liabilities	1,428,287	1,548,526
Carrying amounts of bank loans that are repayable on demand that have loan defaults or breach of loan covenants (shown under current liabilities)	<u>(1,179,728)</u>	<u>(50,559)</u>
Amounts shown under current liabilities for the borrowings without loan defaults or breach of loan covenants	<u>248,559</u>	<u>1,497,967</u>

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

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

	30.9.2023 (unaudited)	31.3.2023 (audited)
Effective interest rate:		
Fixed-rate borrowings	3.45%-24.00%	3.65%-24.00%
Variable-rate borrowings	<u>7.35%</u>	<u>7.35%</u>

As at 31 March 2023, the banks overdraft carried interest at Hong Kong Prime Interest Rate.

As at 30 September 2023, the variable-rate bank borrowings of approximately HK\$126,113,000 (31 March 2023: approximately HK\$134,178,000) are secured by the Group's property, plant and equipment with carrying value of approximately HK\$20,240,000 (31 March 2023: approximately HK\$23,700,000) and investment properties with fair value of approximately HK\$694,537,000 (31 March 2023: approximately HK\$749,914,000). The borrowings carries at variable-rate of 7.35% per annum (31 March 2023: 7.35% per annum) which is at based rate fixed by People's Bank of China ("**PBOC Rate**") plus a premium per annum (31 March 2023: PBOC Rate plus a premium per annum).

As at 30 September 2023, the fixed-rate bank borrowings of approximately HK\$967,907,000 (31 March 2023: approximately HK\$1,031,176,000) are secured by equity interest of certain Group's wholly owned subsidiaries and the Group's certain investment properties with fair value of approximately HK\$2,115,810,000 (31 March 2023: approximately HK\$2,326,254,000). The borrowings carries at a fixed-rate ranged from 3.65% to 7.1% per annum (31 March 2023: 3.65% to 7.1% per annum).

As at 30 September 2023, the remaining fixed-rate bank borrowings of approximately HK\$15,456,000 (31 March 2023: approximately HK\$19,299,000) are unsecured, carries interest at a fixed-rate ranged from 3.45% to 5.5% per annum (31 March 2023: 5.5% to 6.7% per annum).

As at 30 September 2023, the other borrowing amounted to approximately HK\$67,221,000 (31 March 2023: approximately HK\$73,017,000) is secured by equity interest of certain Group's wholly owned subsidiaries of the Group. The borrowings carries at a fixed-rate ranged from 10.61% to 12.79% per annum (31 March 2023: a fixed-rate ranged from 10.61% to 12.79%).

As at 30 September 2023, the remaining other borrowings of approximately HK\$291,237,000 (31 March 2023: approximately HK\$329,268,000) are unsecured, carries interest at a fixed-rate ranged from 5.0% to 24.0% per annum (31 March 2023: a fixed rate ranged from 5.0% to 24.0% per annum).

The Group has bank borrowings and other borrowings of approximately HK\$912,311,000 and HK\$31,150,000 respectively that contains a repayable on demand clause (31 March 2023: approximately HK\$983,109,000 and HK\$35,822,000 respectively), which were included in the current liabilities.

The Group has defaulted in repayment of principals and interests of bank and other borrowings amounting to approximately HK\$192,543,000 and HK\$17,652,000 respectively during the period ended 30 September 2023 which outstanding amounts of bank and other borrowings are approximately HK\$1,038,424,000 and HK\$141,304,000 respectively as at 30 September 2023 remain outstanding.

12. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i> (unaudited)
Ordinary shares:		
Authorised ordinary shares At 1 April 2022, 31 March 2023 and 30 September 2023 of HK\$0.01 each	<u>62,500,000,000</u>	<u>625,000</u>
Issued and fully paid ordinary shares At 1 April 2022, 31 March 2023 and 30 September 2023 of HK\$0.01 each	<u>1,169,287,752</u>	<u>11,693</u>

13. CONTINGENT LIABILITIES

Corporate guarantee

	30.9.2023 <i>HK\$'000</i> (unaudited)	31.3.2023 <i>HK\$'000</i> (audited)
Guarantee given to banks in respect of financial guarantee services provided to: – Independent third parties	<u>104,580</u>	<u>245,011</u>

As at 30 September 2023, financial guarantee contracts of approximately HK\$711,000 (31 March 2023: HK\$1,792,000) represent the fair values of the financial guarantee contracts initially recognised less cumulative amortisation at the end of the reporting period. The financial guarantee contracts are measured at the amount of the loss allowance determined in accordance with HKFRS 9.

14. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

As lessor

	30.9.2023 <i>HK\$'000</i> (unaudited)	31.3.2023 <i>HK\$'000</i> (audited)
Within one year	<u>3,644</u>	<u>4,968</u>

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

15. CAPITAL COMMITMENTS

	30.9.2023 <i>HK\$'000</i> (unaudited)	31.3.2023 <i>HK\$'000</i> (audited)
Capital expenditure contracted for but not provided in connection with the investment properties under construction	<u>20,138</u>	<u>21,426</u>

16. COMPARATIVE FIGURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2023 under review, the Group recorded total revenue of HK\$47.2 million, representing a drop of 24.7% compared with the Previous Period.

Despite the optimism of a swift economic recovery in early 2023, after emerging from three years of Coronavirus Disease 2019 (“**COVID-19**”) restrictions, the People’s Republic of China (the “**PRC**” or “**China**”) is still grappling with mounting challenges, ranging from a deepening property crisis, rising local government debts, high unemployment rate, weak consumer spending, and liquidity crunch, which is especially felt by the private sector. The heightened trade protection and geopolitical tensions between China, the United States of America (“**US**”), and the Western countries, leading to drops in direct foreign investment and a decline in exports, further undermined the growth.

During the past decades, the real estate sector has been a significant growth driver in the Chinese economy and a heavy component of household wealth. In recent months, a few prominent real estate developers fell into deep debt and solvency crises, which aroused concerns about the impact on the country’s overall financial stability. Liquidity is tight because banks and financial institutions are cautious of the ripple effect of the property slump. Prices of resident housing across the country recorded continuous declines in the past 12 months in both the primary and secondary markets. Demand is weak due to oversupply and loss of confidence. Potential home buyers are hesitant to enter the market, worrying about further price drops.

The Group’s performance during the Period was affected by the lackluster economic situation in China, where the Group’s primary business operates. The impact was particularly strong in the Group’s income from the Property Investment sector in this Period which declined by almost 20%. It is attributed mainly to the loss on the CIC Disposal (as defined below). Incomes from the Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch)* (the “**Commercial Complex**”) remained flat despite the high occupancy of over 98%. Most tenants of the Commercial Complex specialise in the home furnishing, decoration and appliance sectors, and they have to struggle for survival as demand for their goods and services is low because of the sluggish property market. Instead of charging higher rents and management fees in tandem with the high occupancy, the Group had to granted generous rent-free incentives to retain clients. Furthermore, the presale of the phase two development of the Commercial Complex achieved little progress because of the unfavourable real estate market. There was also a loss of fair value on the Group’s investment properties to reflect the market changes.

The Group’s financial services income shrank to the lowest level in many years. Because of the challenging business environment, the Group has shrunk its loans and guaranteed portfolios to those high-risk customers. Provision was made against certain non-performing loans. The Group will not seek to expand its financial services until there is a substantial improvement in the market.

* *For identification purpose only*

SEGMENTAL PERFORMANCE

Property Investment Business

The property investment business generated HK\$43.1 million in revenue in the Period, down HK\$10.5 million or 19.6% from the Previous Period of HK\$53.6 million. The decline is mainly attributed to the loss of an income source after the CIC Disposal was completed in June 2022. During the Previous Period, the contribution of Chinlink International Centre (the “CIC”) was approximately HK\$8.0 million, whilst in the Period, only HK\$0.5 million was reported. The property investment revenue for the Period was almost entirely derived from the Commercial Complex. Rental and management services incomes for the Period from the Commercial Complex amounted to RMB39.0 million (equivalent to HK\$42.6 million) compared with RMB39.5 million (equivalent to HK\$45.6 million) in the Previous Period, only a slight decline of 1.3%. The Commercial Complex performed relatively well despite the harsh market situation.

As the Group’s income from the property investment is in the Renminbi (“RMB”), a decrease of approximately 5% in our report in HK\$ terms was arising from the depreciation of RMB against the Hong Kong Dollar (“HK\$”). Otherwise, the decline in revenue in the Period would only be around 15%.

Financial Guarantee Services and Other Financial Services Businesses

During this Period, the Group continued to provide financial guarantee and factoring services in China and money lending business in China and Hong Kong. The Group has not engaged in financial advisory services since the restructuring of the MCM Holdings Limited and its subsidiaries (collectively, “MCM Group”) completed in November 2022.

Due to the unfavourable credit markets in China and Hong Kong, the Group’s income from financial services in terms of fees and interest substantially shrunk by 54.9% to HK\$4.1 million only, from HK\$9.1 million for the Previous Period because of the reduced portfolio size.

FINANCIAL REVIEW

Profitability Analysis

Upon completion of the MCM Disposal (as defined below), the financial results of MCM Group for the Previous Period were restated to discontinued operations. For the Period, the Group’s revenue from continuing operations was HK\$47.2 million, reflecting a significant decrease of 24.7% from HK\$62.7 million in the Previous Period. Revenue contribution by segments comprised: property investment of HK\$43.1 million (Previous Period: HK\$53.6 million), financial guarantee services and other financial services of HK\$4.1 million (Previous Period: HK\$9.1 million).

Gross profit for the Period decreased to HK\$32.2 million, down 30.5% from HK\$46.3 million (restated) in the Previous Period. Gross profit margin decreased slightly to 68.3% from 73.9% (restated) in the Previous Period.

The decrease in revenue and gross profit was mainly attributable to the drop in revenue from (i) financial guarantee and other financial services due to lower interest rate and services fee rate charged to the customers; and (ii) property investment business due to CIC Disposal; and (iii) the depreciation of RMB against HK\$ during the Period.

Other income, gains and losses recorded a gain of HK\$61.3 million (Previous Period: HK\$72.3 million (restated)) for the Period, mainly attributable to the adjustment on carrying amounts of amounts due to related parties and exchange gain arising from the depreciation of RMB against HK\$ during the Period. During the Previous Period, the gain was mainly attributable to the exchange gain arising from the depreciation of RMB against HK.

During the Previous Period, there recorded a significant loss on disposal of a subsidiary of HK\$95.4 million. On 29 April 2022, the Group entered into the conditional sale and purchase agreement with Shaanxi Tianheng to disposal of the entire equity interest of Real King (as defined below) (an indirect wholly-owned subsidiary incorporated in the PRC which holds CIC, being one of the investment properties of the Group) for a cash consideration of RMB132.4 million and the disposal transaction was completed at end of June 2022. For details, please refer to the announcements of the Company dated 29 April 2022, 24 May 2022 and 10 June 2022 and the circular of the Company dated 25 May 2022.

The Group recorded loss on fair value change of investment properties amounted to HK\$82.4 million (Previous Period: HK\$24.0 million) for the Period. It was mainly attributable to a fair value loss of the Commercial Complex and the logistics park project located at Hantai District, Hanzhong City, Shaanxi Province, the PRC (the “**Chinlink · Worldport**”) as the adverse impact caused by the COVID-19 pandemic has not recovered.

Also, certain customers under our financial services encountered short-term cash flow difficulties and some of the loan receivables and factoring receivables are overdue. The Group has implemented certain measures to protect the interest of the Group, such as issuing reminders and warning letters to the customers, obtaining further collaterals from the customers, closely monitor the cash inflow from their receivables etc. For prudence basis, the Group provided allowance for expected credit loss of HK\$10.9 million (Previous Period: HK\$5.2 million) for the Period.

During the Previous Period, share of profit of an associate (namely Chinlink Finance Lease Company Limited (“**Chinlink Finance Lease**”)) up to mid of May 2022 when the Deemed Disposal (as defined below) took place amounted to HK\$1.2 million. During the Previous Period, the registered capital of Chinlink Finance Lease was enlarged as new capital was injected by an independent third party. As a result, the Group’s effective equity interest in it was diluted from 25% to 13.6% (the “**Deemed Disposal**”). Therefore, it ceased to be an associate of the Group since mid of May 2022 and was classified as equity investment at fair value through other comprehensive income.

Administrative expenses mainly comprised staff costs, travelling expenses, depreciation, legal and professional fee etc. amounted to HK\$27.4 million for the Period, representing a decrease of HK\$11.6 million as compared with HK\$39.0 million (restated) of the Previous Period. The decrease was mainly due to (i) reduction in staff costs as the result of streamlining of workforce during the COVID-19 pandemic; (ii) decrease in administrative expenses since the completion of CIC Disposal; and (iii) depreciation of RMB against HK\$ during the Period.

Finance costs amounted to HK\$88.5 million for the Period, representing a decrease of HK\$24.9 million as compared with HK\$113.4 million (restated) in the Previous Period. The decrease was mainly due to (i) repayment of high-interest bank and other borrowings with the new low-interest bank loan obtained from Shaanxi Qinnong Rural Commercial Bank Company Limited in December 2022; and (ii) depreciation of RMB against HK\$ during the Period which reduced the finance costs denominated in RMB being translated to the reporting currency, i.e. HK\$.

After the MCM Disposal, the Group ceased to engage in financial advisory services business and the financial results of the MCM Group for the Previous Period were restated as discontinued operations of the Group. During the Previous Period, loss from discontinued operations amounted to HK\$13.9 million. For details, please refer to the section headed “Disposal of subsidiaries” in this Management Discussion and Analysis.

For the Period, the Group recorded a loss of HK\$107.5 million (Previous Period: HK\$170.7 million (restated)) mainly due to (i) drop in revenue from financial guarantee and other financial services and property investment businesses; (ii) substantial loss on fair value change of investment properties; and (iii) material allowance provided for expected credit loss model.

Liquidity and Financial Resources

As at 30 September 2023, the bank balances and cash and pledged bank deposits amounted to HK\$94.3 million in total (31 March 2023: HK\$171.0 million), representing a significant decrease of HK\$76.7 million from that of 31 March 2023. The decrease was mainly due to (i) repayment of bank and other borrowings during the Period; (ii) daily operating expenses of the Group; and (iii) reduction of pledged bank deposit for financial guarantee business during the Period.

As at 30 September 2023, the bank and other borrowings of the Group which were mainly denominated in HK\$ and RMB amounted to HK\$1,467.9 million (31 March 2023: HK\$1,599.4 million), representing a decrease of HK\$131.5 million from that of 31 March 2023, of which HK\$1,428.3 million and HK\$39.6 million were repayable within one year and two to five years respectively.

Details of the major financing activities completed during the Period (some of which imposed specific performance obligations on the controlling shareholder of the Company which were subject to announcement disclosure under Rule 13.18 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and requirements of disclosure in this interim report under Rule 13.21 of the Listing Rules) were as follows:

6.5% Coupon Bonds

6.5% coupon bonds (the “**6.5% Coupon Bonds**”) with aggregate principal amount of HK\$200.0 million were issued in four tranches on 7 August 2019, 8 August 2019, 19 August 2019 and 6 September 2019. The 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 Weibin (“**Mr. Li**”) (the ultimate controlling shareholder and an executive director of the Company). During 2020, the 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.

Pursuant to the second deed of amendment dated 23 August 2021, the maturity dates of the 6.5% Coupon Bonds were extended for 1 year and the Company can re-issue the 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. During the year ended 31 March 2022, the 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. During the year ended 31 March 2023, the 6.5% Coupon Bonds were matured, of which HK\$28.5 million were redeemed by the Company and HK\$97.8 million were extended for two years pursuant to the third deed of amendment dated 12 August 2022. According to the third deed of amendment, the bondholders were granted early redemption right to request for early redemption of bonds on the first anniversary of the extension date. If the bondholders do not exercise such early redemption right, they shall receive a one-off additional fixed interest of 2% of the outstanding principal amount as at the maturity date.

As at 30 September 2023, the bondholders of the 6.5% Coupon Bonds with principal amount of HK\$6.0 million exercised the early redemption right to request for early redemption of bonds on the first anniversary of the extension date pursuant to the third deed of amendment dated 12 August 2022.

As at 30 September 2023, the Group had net current liabilities of HK\$1,510.2 million (31 March 2023: HK\$1,460.2 million) and the current ratio of the Group calculated as the Group’s current assets over its current liabilities was 0.37 (31 March 2023: 0.43). The setback in the current ratio was mainly due to the significant decrease of bank balances and cash for repayment of bank and other borrowings and daily operating expenses of the Group during the Period.

Share Capital

As at 30 September 2023, the authorised share capital and issued share capital of the Company were HK\$625.0 million and HK\$11.7 million respectively (31 March 2023: HK\$625.0 million and HK\$11.7 million respectively). There were no changes in the authorised share capital and issued share capital of the Company during the Period.

Disposal of subsidiaries

On 14 November 2022, the Group entered into a sale and purchase agreement to dispose Alpha Yield Limited (a non-wholly-owned subsidiary of the Company which owned the MCM Group) to certain independent third parties at a consideration of USD1.53 million (the “**MCM Disposal**”). On the same date, the Group entered into transaction documents to further acquire the share capital of an existing non-wholly-owned subsidiary, namely Chinlink Alpha Limited from Alpha Yield Limited at a consideration of USD1.5 million. Both of the disposal and acquisition were completed on 14 November 2022. MCM Disposal constituted discontinued operations of the Group and the financial results of MCM Group for the Previous Period were restated to discontinued operations. The Group recognised loss from discontinued operations of HK\$13.9 million during the Previous Period.

Under the volatile property market and the rising financing costs due to tight market liquidity, the Group decided to reduce its exposure in the China real estate market in the year ended 31 March 2022. During the Previous Period, the Group disposed of the ownership of the CIC, a commercial complex with office and retail space, through the sale of 100% equity interest of Real King International (Xi’an) Information Technology Company Limited* (“**Real King**”) (an indirect wholly-owned subsidiary of the Company incorporated in the PRC) to Shaanxi Tianheng Investment Company Limited* (“**Shaanxi Tianheng**”) (an independent third party) (the “**CIC Disposal**”). The CIC Disposal was completed on 30 June 2022. The net proceeds from the CIC Disposal were used for the repayment of the debts of the Group. The Group recognised substantial loss on CIC Disposal of HK\$95.4 million during the Previous Period.

Gearing Ratio

The Group’s gearing ratio as at 30 September 2023 was 0.71 (31 March 2023: 0.69) which was based on the Group’s total liabilities of HK\$2,789.2 million (31 March 2023: HK\$3,067.9 million) and the Group’s total assets of HK\$3,902.2 million (31 March 2023: HK\$4,430.9 million).

Material lending transactions

As part of the normal course of business of the Group, the 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. Details of the Groups lending business as at 30 September 2023 are as follows:

(i) *Business model of the Group's lending businesses*

As part of the normal course of businesses of the Group, the Group provided certain financial services to its customers through its subsidiaries which possessed relevant licences (including the money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the financing guarantee enterprise operation license in the PRC (中華人民共和國融資性擔保機構經營許可証)), 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 of which the Group agreed to guarantee the settlement by its customers of the obligation under the loan agreements entered into by its customers (as the borrowers) and the lenders.

Such financing services are generally provided to individual and corporate borrowers that have short-term funding needs. Except for the financial guarantee granted to customers who are applying property mortgage loan which involved low-level of risk and insignificant amount, collaterals and/or counterparty guarantee is/are generally requested. The Group's clientele is primarily acquired through business referrals from business partners or customers, introduction from the banks and the Group's management. Customers are enterprises engaged in various industries in the PRC, (including trading of electronic products and lighting equipment, software development and information technology consultancy services, advertising design, food & beverage and entertainment business, trading of construction materials and provision of landscaping engineering services, etc.) or individual who needs a short-term guarantee for application of property mortgage loan. The source of funds for the lending business and financial guarantee business was funded by the internal resources and net proceeds for the issuance of bonds of the Group. The Group has internal business unit and risk assessment unit to assess the risk level of each transaction.

(ii) *Major terms of loans/financial guarantee granted*

The interest rates of the loans were ranging from 2.0% to 12.5% per annum and maturity profile of the loans as at 30 September 2023 were all within 1 year. All of the loan receivables as at 30 September 2023 were guaranteed by the legal representatives, shareholders of the customers and/or independent third party corporations, of which 61.5% were also secured by (i) operating income; (ii) the forest felling right owned by the customers; (iii) trade receivables; or (iv) post-dated cheques issued by the customers. As at 30 September 2023, HK\$163.0 million of the loan receivables were overdue. Expected credit loss of HK\$66.2 million was provided as of 30 September 2023. To reduce the risk of bad debt, the Group has implemented certain measures, such like issue reminder and warning letters to the customers, obtained further collaterals (such like shares pledge of the customer or its subsidiaries) from the customers, closely monitor the cash inflow from their receivables.

In respect of guarantee fee, the guarantee and consultancy services fee (in aggregate) charged to the customers were ranging from 1% to 5% of the loan principal per annum except the guarantee fee charged to individual customers who are applying property mortgage loan which involved low-level of risk and insignificant amount, the Group generally charges a fixed sum ranging from RMB400 to RMB700 per case. The maturity profile of the guarantee granted by the Group as at 30 September 2023 were all within 1 year. Except for the financial guarantee granted to the customers who are applying property mortgage loan, all of the guarantee arrangements are counter-guaranteed by the legal representatives, shareholders of the customers and/or independent third party corporations, of which 9.2% were also secured by trade receivable owned by the customers. As at 30 September 2023, no underlying banks loan was overdue. Expected credit loss of HK\$0.7 million was provided as of 30 September 2023.

(iii) The size and diversity of customers

As at 30 September 2023, the Group has total loan receivables amounting to HK\$219.2 million and the total guarantee sum provided by the Group to the lenders amounted to HK\$105.3 million. Summary of the customer diversity classified by the size of principal are as follows:

Principal range	Lending	Financial guarantee
	Number of customers/ (Total lending principal (HK\$))	Number of customers/ (Total guarantee principal (HK\$))
Below HK\$10 million	8/(HK\$45.8 million)	64/(HK\$105.3 million)
HK\$10 million – HK\$20 million	4/(HK\$62.0 million)	0/(HK\$Nil)
HK\$20 million – HK\$30 million	0/(HK\$Nil)	0/(HK\$Nil)
HK\$30 million – HK\$40 million	2/(HK\$70.3 million)	0/(HK\$Nil)
HK\$40 million – HK\$50 million	1/(HK\$41.1 million)	0/(HK\$Nil)

The amounts of lending to the five largest customers (in aggregate) and the amounts of guarantee sum granted to the five largest customers (in aggregate) amounted to approximately HK\$146.1 million and HK\$52.0 million, respectively. They accounted for approximately 66.7% and 49.4% respectively of the total loan receivables and total guarantee sum of the Group as at 30 September 2023.

Foreign Currency Exposure

The Group's revenue, expenses, major assets and liabilities were mainly denominated in HK\$, RMB and US\$. During the Period, the exchange rate of RMB to HK\$ depreciated slightly. As HK\$ is pegged to US\$, the Directors considered that the foreign currency risk of the Group was relatively low.

Contingent Liabilities and Charge on Assets

Save as disclosed in note 13 of this announcement, the Group did not have any significant contingent liabilities.

As at 30 September 2023, the Group had pledged (i) bank deposits of HK\$68.8 million to certain banks as securities in return for the banks' provision of loans to the Group's financial guarantee services customers; (ii) leasehold land and building with carrying value of HK\$20.2 million to secure obligations under finance leases and banking facilities; and (iii) certain investment properties with fair value of HK\$2,810.3 million and equity interest of certain subsidiaries to secure obligation under the certain bank and other borrowings, the 6.5% Coupon Bonds and 13.0% Coupon Bonds.

Capital Commitments

As at 30 September 2023, the Group had capital commitments contracted but not provided for amounting to HK\$20.1 million in respect of the development of Chinlink·Worldport. Details of the commitments are set out in note 15 of this announcement. The Group will fund the capital commitments through cash generated from operations, bank and other borrowings and borrowings from the controlling shareholders of the Company.

Events after the reporting period

There is no significant subsequent events after the Period.

INTERIM DIVIDEND

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 30 September 2023, the Group had 10 employees in Hong Kong and 165 employees in China (31 March 2023: 11 employees in Hong Kong and 167 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 Group. Other employee benefits include contributions to mandatory provident funds, medical insurance and professional development and training.

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

PROSPECTS

Given the continued weakness in the Chinese real estate sector and the financial market and subdued external demand for the exports of goods and services, the outlook for the Chinese economy is not very encouraging. The Group will continue to apply a conservative approach to conducting business in the core sectors, including property investment, financial guarantee, and other financial services in China and Hong Kong. The Group will continue to streamline its operations to reduce costs and pay off certain expensive debts. It will seek improvement of the Group's financial position with possible asset sales to minimise the exposure to further turbulence of the Chinese real estate market risk and possibly refinance the short-term high-interest borrowings in China onshore to mitigate against interest rate and exchange risks.

Recently, Chinese authorities have introduced a basket of supportive policies to prop up the country's ailing property sector and restore consumer confidence to sustain a stable economic recovery. It also introduced new measures to encourage foreign investment and revive entrepreneurs' spirit. Hopefully, such actions will help to bring the Chinese economy back on track and be helpful to the Group's business.

The Group's Chinese home base in Xi'an and the bigger Shaanxi Province affords many opportunities. It is well-known for its comprehensive industrial system, vital research and development capability and advanced technology industry base in aerospace, information technology, biotechnology, and new energy. Shaanxi Province also has significant coal, natural gas, and oil reserves and well-established infrastructure. In recent years, Shaanxi Province has been leading globally in manufacturing electric vehicles, solar photovoltaic materials and panels, semiconductors, and new materials possessing titanium and magnesium. The Group is exploring diversifying to strategic industries such as clean and renewable energy, environmentally friendly materials, and IT development through cooperation with local government agents and academics to support technology start-ups and foster innovation in the Shaanxi Province.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company had applied the principles of, and complied with all code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviations.

1. Code provision C.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li is the Chairman and the Managing Director of the Company (the Company regards the role of its Managing Director to be the same as that of chief executive under the CG Code). The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

- Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Li Weibin, the Chairman of the Board, attended the annual general meeting of the Company held on 27 September 2023 (“**AGM**”) via electronic means to ensure that he was also available to answer questions from the Shareholders. The AGM was chaired by the executive Director, Mr. Siu Wai Yip. At the AGM, the shareholders of the Company (the “**Shareholders**”) approved the amendments to the bye-laws of the Company to (among others) provide the Directors with the option of attending general meetings remotely through electronic means if necessary or appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules.

The Audit Committee comprises 3 independent non-executive Directors, namely Ms. Lai Ka Fung, May, Dr. Ho Chung Tai, Raymond and Ms. Chan Sim Ling, Irene and one non-executive Director, namely Mr. Lam Wing Yiu. Ms. Lai Ka Fung, May is the chairman of the Audit Committee. Majority of the members of the Audit Committee are independent non-executive Directors. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the risk management and internal control systems and financial reporting matters and made recommendations to the Board. The Audit Committee has also reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Period.

APPRECIATION

The Board would like to express its sincere appreciation to all the Group’s investors, customers, partners and shareholders for their continuing support and would like to thank the staff of the Group for their invaluable contribution to the Group.

PUBLICATION OF INTERIM REPORT

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

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

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

Hong Kong, 30 November 2023

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