

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1168)

2021 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021

- Revenue increased 15% to HK\$213 million
- Gross Profit increased 20% to HK\$133 million
- Loss attributable to owners of the Company decreased 62% to HK\$114 million
- Basic loss per share decreased 69% to HK2.27 cents

The board of directors (the “Board”) of Sinolink Worldwide Holdings Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021.

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | | Six months ended 30.6.2021 <i>HK\$'000</i> (unaudited) | 30.6.2020 <i>HK\$'000</i> (unaudited) |
|---|-------|---|---|
| | NOTES | | |
| Revenue | | | |
| Interest income | | 10,613 | 11,013 |
| Rental income | | 108,098 | 76,527 |
| Revenue from contracts with customers | | 94,406 | 97,856 |
| Total revenue | 3 | 213,117 | 185,396 |
| Cost of services | | (79,900) | (74,803) |
| Gross profit | | 133,217 | 110,593 |
| Other income | 4 | 47,975 | 44,167 |
| Selling expenses | | (1,638) | (1,928) |
| Administrative expenses | | (54,682) | (58,175) |
| Other gains and losses | 4 | 21,529 | (12,043) |
| Increase (decrease) in fair value of investment properties | 11 | 2,401 | (36,384) |
| Fair value gain on other financial assets at fair value through profit or loss ("FVTPL") | | 60,780 | 13,385 |
| Fair value loss on loan receivable from associates and amounts due from associates | | (89,446) | (97,537) |
| Share of results of associates | | (157,599) | (218,754) |
| Finance costs | 5 | (10,830) | (18,010) |
| Loss before taxation | | (48,293) | (274,686) |
| Taxation | 6 | (49,101) | (16,435) |
| Loss for the period | 7 | (97,394) | (291,121) |
| Attributable to: | | | |
| Owners of the Company | | (114,434) | (300,434) |
| Non-controlling interests | | 17,040 | 9,313 |
| | | (97,394) | (291,121) |
| | | <i>HK cents</i> | <i>HK cents</i> (restated) |
| Loss per share | 9 | | |
| Basic | | (2.27) | (7.34) |
| Diluted | | (2.27) | (7.34) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | Six months ended | |
|--|-------------------------|------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period | <u>(97,394)</u> | <u>(291,121)</u> |
| Other comprehensive income (expense) | | |
| Items that will not be reclassified to profit or loss: | | |
| Exchange differences arising on translation to presentation currency | 95,009 | (135,756) |
| Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax | <u>459,403</u> | <u>538,177</u> |
| Other comprehensive income for the period, net of tax | <u>554,412</u> | <u>402,421</u> |
| Total comprehensive income for the period | <u>457,018</u> | <u>111,300</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 345,022 | 21,266 |
| Non-controlling interests | <u>111,996</u> | <u>90,034</u> |
| | <u>457,018</u> | <u>111,300</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

| | NOTES | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|-------|--------------------------------------|-------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 266,837 | 281,267 |
| Investment properties | 11 | 2,774,558 | 2,739,311 |
| Amounts due from associates | 14 | – | 26,289 |
| Interests in associates | 12 | 696,869 | 840,956 |
| Equity instruments at FVTOCI | 17 | 3,160,674 | 2,528,880 |
| Other financial assets at FVTPL | 18 | 687,394 | 88,406 |
| Other receivables | | 158,399 | 158,399 |
| Loan receivables | 13 | 285,582 | 268,779 |
| Loan receivable from associates | 14 | – | 7,311 |
| Finance lease receivables | | – | 767 |
| Deferred tax assets | | 2,175 | 6,870 |
| Bank deposits | | 120,192 | 124,449 |
| | | 8,152,680 | 7,071,684 |
| Current assets | | | |
| Stock of properties | 15 | 938,595 | 935,818 |
| Trade and other receivables, deposits and prepayments | 16 | 163,182 | 122,310 |
| Loans receivables | 13 | 142,850 | 121,601 |
| Finance lease receivables | | 2,271 | 2,984 |
| Other financial assets at FVTPL | 18 | 410,425 | 355,647 |
| Bank deposits | | 82,676 | 89,911 |
| Structured deposits | 19 | 924,916 | 427,553 |
| Pledged bank deposits | | 859,212 | 846,038 |
| Cash and cash equivalents | | 982,355 | 1,275,637 |
| | | 4,506,482 | 4,177,499 |
| Current liabilities | | | |
| Trade payables, deposits received and accrued charges | 20 | 448,638 | 468,915 |
| Contract liabilities | | 10,486 | 10,242 |
| Taxation payable | | 793,358 | 775,242 |
| Borrowings | | 753,135 | 753,135 |
| Lease liabilities | | 6,934 | 9,358 |
| | | 2,012,551 | 2,016,892 |
| Net current assets | | 2,493,931 | 2,160,607 |
| Total assets less current liabilities | | 10,646,611 | 9,232,291 |

| | <i>NOTE</i> | 30.6.2021 <i>HK\$'000</i> (unaudited) | 31.12.2020 <i>HK\$'000</i> (audited) |
|--|-------------|--|--|
| Non-current liabilities | | | |
| Lease liabilities | | – | 2,391 |
| Deferred tax liabilities | | <u>1,166,007</u> | <u>999,523</u> |
| | | <u>1,166,007</u> | <u>1,001,914</u> |
| Net assets | | <u>9,480,604</u> | <u>8,230,377</u> |
| Capital and reserves | | | |
| Share capital | 21 | 637,400 | 354,111 |
| Reserves | | <u>7,255,366</u> | <u>6,400,424</u> |
| Equity attributable to owners of the Company | | 7,892,766 | 6,754,535 |
| Non-controlling interests | | <u>1,587,838</u> | <u>1,475,842</u> |
| Total equity | | <u>9,480,604</u> | <u>8,230,377</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

Sinolink Worldwide Holdings Limited (the “Company”) is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively referred to as the “Group”) continues to operate existing property development, property management and investment, financing services and asset financing, while increasingly focuses on financial technology (FinTech) investment and management.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” 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.

2. PRINCIPAL ACCOUNTING POLICIES

The 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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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 condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

Revenue primarily represents revenue arising from property management fee income, rental income, interest income from financing services business and other service income, after deducting discounts and other sales related taxes. An analysis of the Group's revenue for the period is as follows:

| | Six months ended | |
|--|-------------------------|----------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Recognised over time under HKFRS 15 | | |
| "Revenue from Contracts with Customers" | | |
| ("HKFRS 15"): | | |
| – Property management fee income | 66,008 | 60,261 |
| – Others | 28,398 | 30,436 |
| Recognised at a point in time under HKFRS 15: | | |
| – Others | <u>–</u> | <u>7,159</u> |
| Recognised under HKFRS 15 | 94,406 | 97,856 |
| Recognised under other HKFRSs: | | |
| – Rental income | 108,098 | 76,527 |
| – Interest income from financing services business | <u>10,613</u> | <u>11,013</u> |
| | <u>213,117</u> | <u>185,396</u> |

HK\$213,117,000 (six months ended 30 June 2020 (unaudited): HK\$178,237,000) of the Group's revenue is generated from the PRC during the six months ended 30 June 2021. HK\$7,159,000 of the Group's revenue was generated from Hong Kong during the six months ended 30 June 2020.

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 June 2021 (unaudited)

| | Property management <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Financing services <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|--|---------------------------|--------------------------|
| Property management fee income | 66,008 | – | – | – | 66,008 |
| Others | – | – | – | 28,398 | 28,398 |
| Revenue from contracts with customers | 66,008 | – | – | 28,398 | 94,406 |
| Rental income | – | 108,098 | – | – | 108,098 |
| Interest income from financing services business | – | – | 10,613 | – | 10,613 |
| Total revenue | 66,008 | 108,098 | 10,613 | 28,398 | 213,117 |

For the six months ended 30 June 2020 (unaudited)

| | Property management <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Financing services <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|--|---------------------------|--------------------------|
| Property management fee income | 60,261 | – | – | – | 60,261 |
| Others | – | – | 7,159 | 30,436 | 37,595 |
| Revenue from contracts with customers | 60,261 | – | 7,159 | 30,436 | 97,856 |
| Rental income | – | 76,527 | – | – | 76,527 |
| Interest income from financing services business | – | – | 11,013 | – | 11,013 |
| Total revenue | 60,261 | 76,527 | 18,172 | 30,436 | 185,396 |

(B) Segment information

For management purposes, the Group is currently organised into the following operating divisions – property development and sale of properties (“property development”), property management, property investment and provision of financing services (“financing services”). These divisions are the basis on which the Group reports to the executive directors of the Company, the Group’s chief operating decision makers (“CODM”), for performance assessment and resource allocation.

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

Six months ended 30 June 2021 (unaudited)

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Property management <i>HK\$'000</i> | Financing services <i>HK\$'000</i> | Total for reportable segments <i>HK\$'000</i> | Others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|---|---|--|--|---------------------------|---------------------------------|
| REVENUE | | | | | | | |
| External sales | – | 108,098 | 66,008 | 10,613 | 184,719 | 28,398 | 213,117 |
| RESULT | | | | | | | |
| Segment result | (1,210) | 102,519 | 2,969 | 25,650 | 129,928 | (7,411) | 122,517 |
| Other income | | | | | | | 47,975 |
| Unallocated corporate expenses | | | | | | | (26,902) |
| Unallocated other gains and losses | | | | | | | 5,212 |
| Fair value gain on other financial assets at FVTPL | | | | | | | 60,780 |
| Fair value loss on loan receivable from associates and amounts due from associates | | | | | | | (89,446) |
| Share of results of associates | | | | | | | (157,599) |
| Finance costs | | | | | | | (10,830) |
| Loss before taxation | | | | | | | (48,293) |

Six months ended 30 June 2020 (unaudited)

| | Property development <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Property management <i>HK\$'000</i> | Financing services <i>HK\$'000</i> | Total for reportable segments <i>HK\$'000</i> | Others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|---|---|--|--|---------------------------|---------------------------------|
| REVENUE | | | | | | | |
| External sales | <u>–</u> | <u>76,527</u> | <u>60,261</u> | <u>18,172</u> | <u>154,960</u> | <u>30,436</u> | <u>185,396</u> |
| RESULT | | | | | | | |
| Segment result | <u>(2,308)</u> | <u>32,243</u> | <u>4,597</u> | <u>2,601</u> | <u>37,133</u> | <u>(1,535)</u> | <u>35,598</u> |
| Other income | | | | | | | 44,167 |
| Unallocated corporate expenses | | | | | | | (28,925) |
| Unallocated other gains and losses | | | | | | | (4,610) |
| Fair value gain on other financial assets at FVTPL | | | | | | | 13,385 |
| Fair value loss on loan receivable from associates and amounts due from associates | | | | | | | (97,537) |
| Share of results of associates | | | | | | | (218,754) |
| Finance costs | | | | | | | <u>(18,010)</u> |
| Loss before taxation | | | | | | | <u>(274,686)</u> |

Segment result represents the profit earned/loss incurred by each segment without allocation of other income, unallocated corporate expenses, unallocated other gains and losses, share of results of associates, fair value gain on other financial assets at FVTPL, fair value loss on loan receivables from associates and amounts due from associates and finance costs and taxation.

No analysis of the Group's assets and liabilities by reportable and operating segments is disclosed as it is not regularly provided to the CODM for review.

There is no seasonality of the operation of the Group.

4. OTHER INCOME/OTHER GAINS AND LOSSES

| | Six months ended | |
|--|------------------|-----------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Other income comprises: | | |
| Dividends from financial assets at FVTOCI | 7,000 | – |
| Dividends from financial assets at FVTPL | – | 641 |
| Interest income on bank deposits | 34,854 | 35,524 |
| Interest income on other financial assets at FVTPL | 2,693 | 3,503 |
| Others | 3,428 | 4,499 |
| | <u>47,975</u> | <u>44,167</u> |
| Other gains and losses comprises: | | |
| Net exchange gain (loss) | 5,212 | (4,610) |
| Reversal of provision for (provision for) loss allowance | | |
| – loans receivables | 5,145 | (2,735) |
| – finance lease receivables | 80 | – |
| – trade receivables | 11,092 | (4,698) |
| | <u>21,529</u> | <u>(12,043)</u> |

5. FINANCE COSTS

| | Six months ended | |
|--|------------------|---------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interest on borrowings | 9,677 | 16,660 |
| Interest on lease liabilities | 268 | 503 |
| Interest on deposits received for rental | 885 | 847 |
| | <u>10,830</u> | <u>18,010</u> |

6. TAXATION

| | Six months ended | |
|-----------------------------------|------------------|---------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| The charge (credit) comprises: | | |
| Current tax | | |
| PRC Enterprise Income Tax | 32,345 | 25,046 |
| Deferred taxation charge (credit) | 16,756 | (8,611) |
| | <u>49,101</u> | <u>16,435</u> |

No provision for Hong Kong Profits Tax had been made in the condensed consolidated financial statements as the amount involved was insignificant for both periods.

Taxation for subsidiaries of the Group is calculated at the rate of 25% (six months ended 30 June 2020: 25%) of their assessable profits for the six months ended 30 June 2021 according to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

In addition, Land Appreciation Tax ("LAT") shall be levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon entering into pre-sales contracts of the properties, followed by final ascertainment of the gain at the completion of the properties development.

Deferred taxation charge for the period mainly represents deferred tax arising from revaluation of investment properties, equity instruments at FVTOCI and other financial assets at FVTPL, expected credit losses ("ECL") provision and undistributed profits of subsidiaries. Deferred taxation on undistributed profits of subsidiaries has been recognised taking into account the dividends to be distributed from profits earned by the subsidiaries in the PRC starting from 1 January 2008 under the relevant tax rules and regulations of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders.

7. LOSS FOR THE PERIOD

| | Six months ended | |
|---|----------------------|----------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period has been arrived at after charging: | | |
| Depreciation of right-of-use assets | 4,095 | 5,464 |
| Depreciation of other property, plant and equipment | <u>15,122</u> | <u>15,363</u> |
| Total | <u><u>19,217</u></u> | <u><u>20,827</u></u> |

8. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the interim period (six months ended 30 June 2020: nil). The directors resolved that no dividend will be paid in respect of the interim period (six months ended 30 June 2020: nil).

9. LOSS PER SHARE

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

| | Six months ended | |
|---|-----------------------------|-----------------------------|
| | 30.6.2021 | 30.6.2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | <u><u>(114,434)</u></u> | <u><u>(300,434)</u></u> |
| | Number of shares | |
| | 30.6.2021 | 30.6.2020 |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u><u>5,051,074,646</u></u> | <u><u>4,093,526,434</u></u> |

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2021 and 2020 has been adjusted to reflect the impact of the bonus element of rights issue on 15 April 2021.

The computation of diluted loss per share for both periods has not assumed the exercise of the Company's share options as the exercise price was higher than the average market price of the Company's shares during the periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$2,442,000 (six months ended 30 June 2020: HK\$3,314,000).

In previous years, the Group has provided an accumulated impairment of HK\$88,211,000 on the hotel buildings and related building improvement. As the recoverable amount of hotel buildings, which was accessed based on fair value less cost of disposal, was approximate to the carrying amount of that as at 30 June 2021, there is no impairment or reversal of impairment recognised in current interim period.

11. INVESTMENT PROPERTIES

| | <i>HK\$'000</i> |
|--|-------------------------|
| FAIR VALUE | |
| At 1 January 2021 (audited) | 2,739,311 |
| Increase in fair value of investment properties | 2,401 |
| Exchange realignment | <u>32,846</u> |
| At 30 June 2021 (unaudited) | <u><u>2,774,558</u></u> |
| Unrealised gain on property revaluation included in profit or loss | <u><u>2,401</u></u> |
| At 1 January 2020 (audited) | 2,599,888 |
| Decrease in fair value of investment properties | (36,384) |
| Exchange realignment | <u>(48,520)</u> |
| At 30 June 2020 (unaudited) | <u><u>2,514,984</u></u> |
| Unrealised loss on property revaluation included in profit or loss | <u><u>(36,384)</u></u> |

The fair values of the investment properties as at 30 June 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out on those dates by Messrs. Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group, and are the members of the Hong Kong Institute of Surveyors.

The fair value of investment properties was determined by making reference to comparable sales evidence as available in the relevant market, or where appropriate by the investment method by capitalising the net income derived from the existing tenancies with allowance for the reversionary income potential of the properties.

The fair value of car parks as at 30 June 2021 was determined based on direct comparison approach. There has been change from the valuation technique used in the prior year for car parks since there are more sales transaction of car parks during the six months ended 30 June 2021.

There has been no change from the valuation technique used in the prior year for offices and retail premises.

12. INTERESTS IN ASSOCIATES

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|--------------------------------------|-------------------------------------|
| Cost of unlisted interests in associates | 1,332,022 | 1,317,451 |
| Share of post-acquisition results (<i>note i</i>) | (635,153) | (476,495) |
| | <u>696,869</u> | <u>840,956</u> |

Note:

- (i) During the six months ended 30 June 2021, the Group's share of loss from associates was mainly arisen from ZhongAn Technologies International Group Limited ("ZhongAn International") of HK\$156,417,000 (six months ended 30 June 2020 (unaudited): HK\$99,471,000). The loss incurred by ZhongAn International is mainly due to staff costs during the period.

13. LOAN RECEIVABLES

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|--------------------------------------|-------------------------------------|
| Factoring loans receivables with recourse | 54,233 | 92,883 |
| Other loans receivables (<i>note (i)</i>) | <u>382,311</u> | <u>310,603</u> |
| | 436,544 | 403,486 |
| Less: allowance for credit loss | <u>(8,112)</u> | <u>(13,106)</u> |
| Total | <u>428,432</u> | <u>390,380</u> |

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|--------------------------------------|-------------------------------------|
| The loan receivables analysed as follows: | | |
| Non-current | 285,582 | 268,779 |
| Current | <u>142,850</u> | <u>121,601</u> |
| | <u>428,432</u> | <u>390,380</u> |

Note:

- (i) Other loans receivables to independent third parties are unsecured and carried interest rate ranged from 5.0% to 6.0% (31 December 2020: 4.9% to 6.0%) per annum.

As part of the Group's credit risk management, the debtors are assessed individually by the management of the Group as at 30 June 2021 and 31 December 2020 by reference to past default experience, current past due exposure of the debtor, the nature and prospect of the debtor's operation. The loss rate ranging from 0.5% to 2.5% (31 December 2020: 1.0% to 3.8%) is applied to the debtors. As at 30 June 2021, the impairment loss allowance on loans receivables is HK\$8,112,000 (31 December 2020: HK\$13,106,000).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors, the realisation of collateral and guarantee and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort.

During the current interim period, the Group has reversal of provision for loss allowance recognised of HK\$5,145,000 (six months ended 30 June 2020 (unaudited): provision for loss allowance of HK\$2,735,000).

14. LOAN RECEIVABLE FROM ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

| | 30.6.2021 <i>HK\$'000</i> (unaudited) | 31.12.2020 <i>HK\$'000</i> (audited) |
|--|---|--|
| Shareholder's loan receivable | | |
| – measured at FVTPL | 862,825 | 865,231 |
| Less: Share of loss and other comprehensive expenses of associate in excess of cost of investment | <u>(862,825)</u> | <u>(857,920)</u> |
| | <u>–</u> | <u>7,311</u> |
| Amounts due from associates | <u>–</u> | <u>26,289</u> |

Rockefeller Group Asia Pacific, Inc. ("RGAP") is principally engaged in property development and property investment in Shanghai. The amount represents a shareholder's loan receivable from RGAP for financing a property development and property investment project in Shanghai, which carries a 20% coupon interest rate per annum and forms part of the net investment in RGAP. As the loan receivable is considered as a net investment, the Group has recognised its share of loss of RGAP in excess of the cost of investment against the loan receivable. The loan receivable including principal and interest is unsecured and has no fixed repayment terms.

Amounts due from associates, which represented the current account with RGAP, were unsecured, interest-free and repayable on demand.

Loan receivable from associates as well as the amounts due from associates represent an investment in the project of RGAP. In accordance with the investment agreement, the Group and the other shareholder contributed minimal amount of capital and substantially all portion of the associates' capital expenditures/operations were funded through loan receivable from associates and amounts due from associates by the Group and a detailed analysis of the particular facts and circumstances at the date of origination of the advances led to the conclusion that the contractual cash flows of the advances did not represent purely a return on time value of money and credit risk. Hence, loan receivable from associates as well as the amounts due from associates are both measured at FVTPL. The directors of the Company assessed the fair value of the loan receivable from associates and amounts due from associates by taking into consideration the estimated future cash flows and timing of such cash flows discounted at market interest rate.

The directors of the Company consider that the loan receivable and amounts due from associates will not be repayable within one year from the end of the reporting period, they are classified as non-current assets accordingly.

15. STOCK OF PROPERTIES

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|------------------------------|---|---|
| Properties under development | <u>938,595</u> | <u>935,818</u> |

As at 30 June 2021, properties under development of HK\$938,595,000 (31 December 2020: HK\$935,818,000) represent the carrying amount of the properties expected to be completed more than one year from the end of the reporting period upon the Group's revision on the selling strategy over the properties under development.

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|---|---|
| Trade receivables from property management and property investment business | 5,508 | 4,610 |
| Trade receivables from financing services | <u>11,092</u> | <u>13,714</u> |
| | 16,600 | 18,324 |
| Less: allowance for credit loss | <u>–</u> | <u>(13,714)</u> |
| Total trade receivables | 16,600 | 4,610 |
| Interest receivables from bank deposits | 113,659 | 90,643 |
| Other receivables, deposits and prepayments | <u>32,923</u> | <u>27,057</u> |
| | <u>163,182</u> | <u>122,310</u> |

The Group allows an average credit period ranging from 0 to 60 days to its customers of property management and property investment business from invoices issuance dates. The following is an aged analysis of trade receivables from property management and property investment services presented based on invoice dates at the end of reporting period.

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|----------------|---|--|
| Aged: | | |
| 0 to 60 days | 4,452 | 3,683 |
| 61 to 180 days | 965 | 546 |
| Over 180 days | 91 | 381 |
| | <u>5,508</u> | <u>4,610</u> |

The Group allows a credit period of 30 days to its customers of financing business. The following is an aged analysis of trade receivables from financing services presented based on invoice dates at the end of reporting period, net of ECL.

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---------------|---|--|
| Aged: | | |
| Over 360 days | <u>11,092</u> | <u>—</u> |

The Group applied simplified approach to provide for ECL prescribed by HKFRS 9 “Financial Instruments” (“HKFRS 9”). The Group assessed ECL for trade receivables from financial services individually. To measure the ECL of trade receivables from property management and property investments business, trade receivables have been grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

Management of the Group considers that the ECL for trade receivables is insignificant as the debtors have good settlement history, except for a debtor from financial services with gross carrying amount of HK\$13,714,000 as at 31 December 2020.

As at 31 December 2020, the directors of the Company consider this balance as in default and credit-impaired in view of significant financial difficulty and suspension of the operation of the customer and no settlement arrangement could be made in prior period after discussion with this debtor. Thus, the management of the Group considered a full impairment on the gross carrying amount of this debtor as at 31 December 2020.

During current period, a settlement arrangement has been made with this debtor. The Group has reversed provision for loss allowance of HK\$11,092,000 during the six months ended 30 June 2021. Subsequent to the end of the reporting period, the Group has received settlement of such trade receivables of HK\$11,092,000. The remaining HK\$2,622,000 has been written off during the period.

17. EQUITY INSTRUMENTS AT FVTOCI

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|--|--------------------------------------|-------------------------------------|
| Equity securities of an entity listed in Hong Kong, at fair value (<i>note i</i>) | 2,874,587 | 2,334,621 |
| Unlisted equity securities in Hong Kong, the PRC and overseas, at fair value | <u>286,087</u> | <u>194,259</u> |
| Total (<i>note ii</i>) | <u><u>3,160,674</u></u> | <u><u>2,528,880</u></u> |

Notes:

- (i) The Group held the publicly-traded ordinary share capital of ZhongAn Online P&C Insurance Co., Ltd. ("ZhongAn Online") ("ZhongAn Online H Shares") that subject to lock-up mechanisms. The marketability of ZhongAn Online H Shares with lock-up period are different from publicly-traded ZhongAn Online H Shares. The fair value of investment in ZhongAn Online at 30 June 2021 and 31 December 2020 has been arrived at on the basis of a valuation carried out by an independent professional valuer not connected with the Group.
- (ii) The Group has made an irrevocable election to designate these investments in equity instruments as at FVTOCI.

18. OTHER FINANCIAL ASSETS AT FVTPL

| | 30.6.2021 HK\$'000 (unaudited) | 31.12.2020 HK\$'000 (audited) |
|---|--------------------------------------|-------------------------------------|
| Equity securities listed in Hong Kong | 6,248 | 7,239 |
| Equity securities listed in the PRC | 22,636 | 22,424 |
| Investments in Redeemable Preference Shares (<i>note i</i>) | 600,197 | – |
| Investments in redeemable convertible preference shares of an entity | 68,954 | 68,135 |
| Senior notes listed in Hong Kong | – | 22,833 |
| Unlisted fund investments in the PRC | 215,503 | 215,270 |
| Unlisted fund investments in overseas | <u>184,281</u> | <u>108,152</u> |
| | <u><u>1,097,819</u></u> | <u><u>444,053</u></u> |
| Non-current | 687,394 | 88,406 |
| Current | <u>410,425</u> | <u>355,647</u> |
| | <u><u>1,097,819</u></u> | <u><u>444,053</u></u> |

Note:

- (i) The Group has subscribed redeemable preference shares of ZhongAn International (“Redeemable Preference Shares”) of RMB500,000,000 during the six months ended 30 June 2021. ZhongAn International has the right to redeem from the Group all or any portion of Redeemable Preference Shares within 5 years from the date of the issuance of Redeemable Preference Shares. The Group did not have any voting rights from Redeemable Preference Shares and did not have any right to receive dividend from ZhongAn International. In the event of liquidation of ZhongAn International, the Group ranks in priority to other classes of shares in ZhongAn International. As the rights and obligations of the ownership over Redeemable Preference Shares is different from the ownership of ordinary shares of ZhongAn International which the Group accounted for as interests in associates, the Group’s investment in Redeemable Preference Shares in accordance with HKFRS 9 and measured at FVTPL.

19. STRUCTURED DEPOSITS

The Group entered into deposit placements with banks in the PRC. The bank guaranteed 100% of the invested principal amount and returns of which are determined by reference to the change in certain exchange rates or interest rates quoted in the market or the performance of financial indicator as specified in the relevant deposit placements.

Major terms of the material structured deposits at the end of the reporting period are as follows:

At 30 June 2021 (unaudited)

| Principal amount | Maturity | Annual coupon rate | Note |
|-------------------------|-----------------------------|---------------------------|-------------|
| RMB334,000,000 | July 2021 | from 1.65% to 2.95% | (i) |
| RMB328,000,000 | July 2021 to September 2021 | from 1.30% to 4.51% | (ii) |

At 31 December 2020 (audited)

| Principal amount | Maturity | Annual coupon rate | Note |
|-------------------------|-----------------------------|---------------------------|-------------|
| RMB315,000,000 | February 2021 to March 2021 | from 1.10% to 5.35% | (ii) |

Notes:

- (i) The annual interest rate is dependent on whether the one-year People’s Bank of China Loan Prime Rate at a specified date is higher than a specified rate.
- (ii) The annual interest rate is dependent on whether exchange rate between Euro and United State Dollars is higher than that as specified in the relevant deposit placements during the period from inception date to maturity date of the relevant agreements.

20. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

| | 30.6.2021 <i>HK\$'000</i> (unaudited) | 31.12.2020 <i>HK\$'000</i> (audited) |
|--|---|--|
| Trade payables | 47,440 | 33,938 |
| Other payables for construction work | 178,023 | 194,439 |
| Deposits received for rental | 38,455 | 37,125 |
| Advance lease payments | 15,230 | 17,808 |
| Deposits received for management fee | 41,408 | 53,687 |
| Other tax payables | 17,944 | 17,504 |
| Salaries payables and staff welfare payables | 57,947 | 57,232 |
| Other payables and accrued charges | 52,191 | 57,182 |
| | <u>448,638</u> | <u>468,915</u> |

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

| | 30.6.2021 <i>HK\$'000</i> (unaudited) | 31.12.2020 <i>HK\$'000</i> (audited) |
|-----------------|---|--|
| Aged: | | |
| 0 to 90 days | 18,216 | 5,598 |
| 91 to 180 days | 1,695 | 1,175 |
| 181 to 360 days | 742 | 119 |
| Over 360 days | 26,787 | 27,046 |
| | <u>47,440</u> | <u>33,938</u> |

21. SHARE CAPITAL

| | Number of shares | Amount <i>HK\$'000</i> |
|--|-----------------------|---------------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 January 2020 and 31 December 2020 (audited) | 6,000,000,000 | 600,000 |
| Increase on 8 March 2021 | <u>9,000,000,000</u> | <u>900,000</u> |
| At 30 June 2021 (unaudited) | <u>15,000,000,000</u> | <u>1,500,000</u> |
| Issued and fully paid: | | |
| At 1 January 2020 and 31 December 2020 (audited) | 3,541,112,832 | 354,111 |
| Issued of rights shares (<i>note</i>) | <u>2,832,890,264</u> | <u>283,289</u> |
| At 30 June 2021 (unaudited) | <u>6,374,003,096</u> | <u>637,400</u> |

Note: On 15 April 2021, 2,832,890,264 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.28 per share.

All the shares issued during the six months ended 30 June 2021 rank pari passu in all respects with the other shares in issue.

22. SHARE-BASED PAYMENTS

A share option scheme was adopted by shareholders of the Company on 17 May 2012 (the “2012 Share Option Scheme”), under which the board of directors may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of 10 years. On 15 May 2015, the Group granted 79,000,000 share options to the directors of the Company and 40,000,000 share options to the employees of the Group with exercise period from 15 May 2015 to 15 May 2025.

The table below discloses movement of the Company’s share options held by the directors and the employees:

| | Number of share options |
|--|----------------------------|
| At 1 January 2020 (audited) and 30 June 2020 (unaudited) | <u>114,000,000</u> |
| At 1 January 2021 (audited) | 114,000,000 |
| Adjustment (<i>note</i>) | <u>17,784,000</u> |
| At 30 June 2021 (unaudited) | <u>131,784,000</u> |
| Exercisable at 30 June 2021 | <u>131,784,000</u> |

Note: The number and the exercise price of options which remained outstanding have been adjusted with effect from 15 April 2021 due to rights issue of the Company during the period.

All share options granted have been vested during prior years. As at 30 June 2021, the share option is exercisable from the completion of vesting period to 14 May 2025 with adjusted exercise price of HK\$1.185 (31 December 2020: HK\$1.37).

As at 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 131,784,000 (31 December 2020: 114,000,000), representing 2.1% (31 December 2020: 3.2%) of the shares of the Company in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back at the first half of 2021, global economy continued to recover steadily. The pace of recovery was initially driven only by manufacturing and trade, but in the second half of this year, the combined effect of adequate financial support, ongoing progress in vaccination and reopening of the economy may facilitate the involvement of close contact service industries that have been slow to recover. Significant differences in public health have led to varying rates of economic recovery across regions. In the United States, rapid rate and high coverage of vaccination has made large-scale reopening possible. Previously suspended industries such as leisure and hospitality are showing signs of being brought back online. On the other hand, slow vaccination rates and repeated lockdown measures have slowed the recovery in Europe. As a result, Europe is lagging behind the United States in terms of reopening progress. However, as the pace of vaccine rollouts accelerated in the second quarter, a strong economic recovery is likely to take place in the second half of the year. Lastly, China entered and escaped the epidemic crisis earlier than the rest of the world, and it continued to be further along in the recovery process. Therefore, the Chinese government has begun to phase out its fiscal easing policies. As the first country to go through the recession of the COVID-19 pandemic, China may see a slowdown in recovery this year, but the country's economy is expected to achieve a "soft landing" this year.

In the first half of 2021, China's gross domestic product ("GDP") grew 12.7% year-on-year, with a two-year average growth rate of 5.3%. China's economy maintained a stable recovery. Against the backdrop of the weakening of the low base effect, the year-on-year growth rate of real GDP fell from 18.3% in the first quarter to 7.9% in the second quarter. However, in terms of the two-year average annual growth rate, it showed a significant rebound in the second quarter (5.5%) against the first quarter (5.0%), and the economic recovery continued to gain momentum. In addition, the seasonally adjusted quarter-on-quarter GDP growth rate also rebounded from 0.4% in the first quarter to 1.3% in the second quarter, with a light rebound in the marginal growth rate. In terms of absolute value, the nominal GDP in the second quarter of this year was approximately RMB28.3 trillion, a record high of nominal GDP in the second quarter, and a continuation of the growth trend of nominal GDP in the second quarter of 2017-2019. On the whole, the overall economic recovery in the second quarter was better than that in the first quarter of this year.

Overall, China's export trade is the main beneficiary of the impact of the COVID-19 pandemic. With the normalization of China's monetary policy, credit growth will decline. The spillover effect of the global recovery is clearly boosting China's industry, while the consumer sector is still in the recovery phase. Core inflation in China is climbing, but at a moderate pace. China's overall economy has maintained a steady recovery in the first half of the year.

The Company has been actively responding to the Chinese government's and the Hong Kong SAR government's continued approach to promote financial technology development, and made great efforts in exploring the methodology of enhancing its business model and creating value for the Group. While maintaining to develop real estate business and financing services business, the Group actively collaborated with leading Fintech companies in the market and grasped every opportunity to develop in the Fintech market. For instance, we invested in ZhongAn Online P & C Insurance Co., Ltd. ("ZhongAn Online") (stock code: 6060), with whom we established a joint venture, ZhongAn Technologies International Group Limited ("ZhongAn International").

For the six months ended 30 June 2021, the Group's revenue was HK\$213.1 million, increasing by 15% as compared to the same period of last year. Gross profit was HK\$133.2 million, increasing by 20% as compared to the same period of last year. The Company recorded loss attributable to the owners of the Company of HK\$114.4 million during the period, decreasing by 62% as compared to the same period of last year. Basic loss per share amounted to HK2.27 cents, decreasing by 69% year-on-year.

PROPERTY RENTAL

For the six months ended 30 June 2021, total rental income amounted to HK\$108.1 million, representing an increase of 41% as compared to the same period of last year. Due to the outbreak of the COVID-19 pandemic, rental income recorded from investment properties dropped last year due to rent concession granted to tenants with an aim to help them to overcome the challenging situation, while the rental income gradually recovered during the current period.

The aforesaid rental income was mainly contributed by our commercial property portfolio, composed of *The Vi City*, Sinolink Garden Phase One to Four and *Sinolink Tower*.

Sinolink Tower

Located in Luohu district, Shenzhen, *Sinolink Tower*, composed of the hotel and office complex of Sinolink Garden Phase Five, has a total gross floor area ("GFA") of approximately 50,000 square meters, of which hotel space occupies 30,000 square meters and office space occupies 20,000 square meters.

During the period, the occupancy rate of the office portion of *Sinolink Tower* was approximately 60%. Tenants are mainly engaged in jewelry, investment and real estate business.

O Hotel, the Group's first hotel that is dedicated to delivering customized experience, has 188 rooms and suites, a stylish restaurant, a specialty coffee shop, a premium fitness club and other facilities. During the period, the hotel continued to operate in a challenging business environment. Due to the outbreak of the COVID-19 epidemic and the implementation of the epidemic prevention and control policies, *O Hotel*, as a proprietary brand of featured hotels, still experienced a low occupancy rate. The management has adopted measures for more stringent cost control and better services, so as to improve the overall performance of the hotel.

PROPERTIES UNDER DEVELOPMENT

As at 30 June 2021, the Group has the following properties under development:

1. Rockbund

Located at the Bund in Shanghai, Rockbund is an integrated property project jointly developed by the Group and The Rockefeller Group International, Inc. The project, comprising preserved heritage buildings and some new structures, has a total site area of 18,000 square meters with a GFA of 94,080 square meters. The Group intends to redevelop the historical site and structures into an upscale mixed-use neighborhood with residential, commercial, retail, food and beverages, offices and cultural facilities. The preserved heritage buildings have commenced operation with a portion already leased out. Capital works of the new building structures had been completed with structural works well under way. The entire project is expected to commence operation upon completion of the construction in 2022.

2. Ningguo Mansions

Located in Changning District, Shanghai, Ningguo Mansions is a residential project under construction and inspection. The project, with a total site area of 13,599.6 square meters and a plot ratio of 1.0, will be developed into 11 court houses boasting a fusion of Chinese and Western cultures, each with a GFA of 1,000 to 1,500 square meters. David Chipperfield Architects, a British architecture design company, is in charge of the construction, decoration and design of the project. Situated in one of the most accessible, low-density and tranquil luxury neighborhood in Shanghai, Ningguo Mansions is approximately 10-minute and 30-minute ride away from the airport and the downtown respectively.

The project is currently undergoing inspection, with 4 luxuriously decorated buildings and 7 bare shells, and the landscaping work under subsequent improvement and inspection. Due to the unstable market conditions, appropriate operational arrangements will be made based on the actual situation.

ASSET FINANCING

眾聯融資租賃(上海)有限公司 (Zhong Lian Financial Leasing (Shanghai) Co., Ltd.*), 眾安國際融資租賃(天津)有限公司 (ZhongAn International Financial Leasing Co., Ltd.*) and 眾安國際商業保理(天津)有限公司 (ZhongAn International Commercial Factoring Co., Ltd.*), the wholly-owned subsidiaries of the Group, are principally engaged in provision of efficient financial leasing solutions and multiple consultancy services, so as to satisfy technology and new economy companies' demands for financial services at different stages of development.

* For identifications purpose only

For the six months ended 30 June 2021, the interest income from financing services business amounted to HK\$10.6 million (for the six months ended 30 June 2020: HK\$11.0 million) with effective interest rate of 5.5% per annum (2020: 5.5%). Due to the impacts on various sectors from the outbreak of the COVID-19 pandemic, we made continuous efforts to enhance risk management of the financial leasing and factoring business.

We believe that there are new opportunities within the challenges arising from the COVID-19 pandemic. Although the clients affected by the pandemic are faced with increasing liquidity risks in the short term, which may impose downward pressure on the Group's asset quality and in turn impact its short-term operating results to a certain extent, we are confident that with improvement in the situation for mid-to long-run, enterprises with high growth will gradually recover from liquidity shortage and remain favorable in the market, to which the Group will pay close attention. We will take proactive measures to tackle the new challenges brought by the complex situation.

FINANCIAL SERVICE BUSINESS

AA Investment Management Limited ("AA Investment") is a wholly-owned subsidiary of the Group. On 27 April 2021, AA Investment became a corporation in Hong Kong licensed by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to conduct Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (asset management) regulated activities. AA Investment plans to provide retail fund and discretionary account management services to the public through mobile phones.

Since early June, AA Investment has successfully promoted this discretionary service to our customers under the service brand "IPOGo" and through our mobile application platform. In less than two months, we have received 2,500 account opening applications from customers. Retail fund transactions will be the next investment service that the Company hopes to provide in the future, hoping to promote the steady growth of the Group's overall business.

During the period, the Company did not record any income from AA Investment as it was at its initial stage of operation.

OTHER BUSINESSES

Other businesses within the Group include property, facility and project management services. For the six months ended 30 June 2021, the Group recorded a revenue of HK\$94.4 million from other businesses, representing a year-over-year increase of 4%.

JOINT VENTURE – ZHONGAN INTERNATIONAL

The Company entered into the joint venture agreement with ZhongAn Information and Technology Services Co., Ltd. (“ZhongAn Technology”), a wholly-owned subsidiary of ZhongAn Online, pursuant to which the Company and ZhongAn Technology agreed to jointly invest in ZhongAn International to enable the Company to partner with ZhongAn Technology to explore international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech in overseas markets. Pursuant to the Joint Venture Agreement, the Company and ZhongAn Technology owns 49% and 51% of the voting interests in ZhongAn International, respectively.

On 29 April 2021, the Company entered into the subscription agreement with ZhongAn Technology and ZhongAn International, pursuant to which the Company conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to allot and issue, an aggregate of 500,000,000 new redeemable preference shares of ZhongAn International for a total subscription price of RMB500,000,000 in cash (“**Subscription Agreement**”). Details of which are set out in the circular dated 9 August 2021.

The Subscription Agreement have completed on 3 May 2021. ZhongAn International have the right to redeem from the Group all or any portion of redeemable preference shares within 5 years from the date of the issuance of redeemable preference shares (whose term shall be renewed automatically every 5 years, subject to any veto by any of the Group or ZhongAn Technology) at the amount of the redeemable preference shares attributable to the Group plus an interest rate of 5.5% per annum on the price redeemed calculated from the date of the relevant contribution by the Group on pro-rata basis. The Group did not have any voting rights from redeemable preference shares and did not have any right to receive dividend from ZhongAn International. In the event of a return of capital, liquidation, dissolution or winding-up of ZhongAn International, the Group shall be entitled to receive in cash, the amount of contribution attributable to the then issued redeemable preference shares and the amount of revenue as of the day on which any of the above incidents happens. As the rights and obligations of the ownership over redeemable preference shares are different from the ownership of ordinary shares of ZhongAn International, the Group’s investment in redeemable preference shares is accounted for in accordance with HKFRS 9 and measured at FVTPL.

Upon completion, the voting interests held by the Company and ZhongAn Technology in the joint venture shall remain 49% and 51%, respectively.

Business Review and Outlook

The Board acknowledges that ZhongAn International, as a Fintech company, will take time to build and require substantial upfront investment in development of hardware and underlying technologies before it is capable of generating profit. Fintech industry is fast growing and it is believed that the industry may dramatically alter the financial services model in the coming decade. The Board considers that the investment by the Company in ZhongAn International is a long-term investment and believes that the performance of ZhongAn International will improve over the next few years. Given the considerable impact of Fintech and Hong Kong government's continuing support for the industry, the Board considers its investment in ZhongAn International presents numerous opportunities which are beneficial to the Company.

Through provision of additional funds to ZhongAn International, it will continue to establish and improve its target-oriented team management system and cultivate key talents. In addition, ZhongAn International will continue to leverage on the advantage of Hong Kong as an international city to establish a stronghold in Hong Kong. While making strenuous efforts to exploit markets in Hong Kong, Japan and Southeast Asia, the Company trusts that ZhongAn International will explore business opportunities in other countries and regions across the globe, seek for more ecosystem partners and continue to export Insurtech solutions and provide integrated financial services.

For the six months ended 30 June 2021, the Group's share of loss of ZhongAn International was HK\$156.4 million (for the six months ended 30 June 2020: loss of HK\$99.5 million), which was mainly attributable to the staff costs incurred by ZhongAn International.

ZA Bank Limited ("ZA Bank")

ZhongAn International actively participates in Fintech innovation in Hong Kong and ZA Bank became one of the first banks in Hong Kong to be granted a virtual banking license on 27 March 2019. On 24 March 2020, ZA Bank officially became the first virtual bank in Hong Kong to provide Hong Kong residents with legacy-free banking products and services without time constraints. As of 30 June 2021, the amount of deposits grew 2 times year-on-year to HK\$7.6 billion; and the amount of loans jumped 20 times to HK\$1.3 billion.

In March 2021, the number of users of ZA Bank exceeded 300,000. Within one year of its official opening, ZA Bank has grown from the first virtual bank in Hong Kong to the top virtual bank in Hong Kong with its leading user base and volume of personal deposits and loan.

In January 2021, ZA Bank announced that it was granted an insurance agency license by the Hong Kong Insurance Authority ("IA") and became an agent of ZA Life Limited, a fully digital insurance company under ZhongAn International. ZA Bank is the first virtual bank in Hong Kong that acts as an agent for virtual insurance company products, creating an extremely smooth user experience in insurance. In May 2021, ZA Bank officially partnered with ZA Life Limited to provide users with the pure life protection products through ZA Bank App, as well as other protection insurance products.

In March 2021, ZA Bank officially launched commercial banking business to help small and medium-sized enterprises in different industries explore business opportunities through commercial revolving loan products and convenient and personalized banking services. With the official opening of the commercial bank, ZA Bank will further expand its business footprint and provide users with a full range of services.

ZA Life Limited (“ZA Life”)

In May 2020, ZA Life, the joint venture between ZhongAn International and Fubon Life Insurance (Hong Kong) Company Limited, has obtained a digital-only insurer license from the Hong Kong Insurance Authority under its Fast Track pilot scheme. Under the business name of ZA Insure, following the launch of 4 protection insurance products at affordable prices — including Life Protection, Cancer Protection, Heart Attack & Stroke Protection and Accident Insurance, ZA Life also launched ZA VHIS at a transparent and affordable price based on user needs to provide them with more comprehensive basic medical protection.

ZA Tech Global Limited (“ZA Tech”)

ZhongAn International, in collaboration with SoftBank Vision Fund, established ZA Tech to export the cutting-edge technology solution of ZhongAn to overseas market. While redefining the insurance sector through technology, ZA Tech focuses on providing innovative technologies and solutions to insurance companies, and developing integrated insurance and financial solutions for the internet platforms.

ZA Tech has made outstanding achievements in the field of Insurtech innovation in many Asian markets, with footprints in Japan, Singapore, Malaysia and Indonesia etc., and has further expanded to Vietnam, Thailand and the Philippines. With cutting-edge solutions, extensive industry knowledge and accumulated experience in Asia, ZA Tech has become the best technology partner for insurance companies and Internet companies to assist them in digital transformation and innovative growth.

ZA Tech has reached cooperation with companies such as Grab Holdings Inc., a leading platform in Southeast Asia, and OVO, a leading E-wallet platform in Indonesia. In addition, ZA Tech announced in December 2020 that it has become a regional technology partner with AIA Group to help AIA accelerate digitalization, reach new customer groups, and fill users’ protection needs by providing innovative insurance products and connecting partners. In March 2021, ZA Tech partnered with PFI Mega Life (PML), a joint venture company operated by Prudential Financial Inc. in Indonesia, to leverage ZA Tech’s technological expertise to jointly create insurance products and digital solutions and drive digital transformation of the local insurance industry.

MAJOR ASSOCIATE – ROCKEFELLER GROUP ASIA PACIFIC, INC.

For the six months ended 30 June 2021, the Group recorded share of loss of a major associate, Rockefeller Group Asia Pacific, Inc. (“RGAP”), of HK\$4.9 million (six months ended 30 June 2020: loss of HK\$120.1 million), in respect of the *Rockbund* project, which was mainly due to the net exchange gain and decrease in fair value loss of investment properties.

LOAN RECEIVABLE FROM ASSOCIATES

The loan receivable is an investment in RGAP by way of a shareholder’s loan used for financing the *Rockbund* project, constituting a part of the total investment of the Group in RGAP. As the loan receivable is in fact a net investment, the Group has recognized its share of loss of RGAP in excess of the investment cost against the loan receivable. Since HKFRS 9 became effective on 1 January 2018, the loan receivable from RGAP is measured at fair value through profit or loss. The directors considered that the investment is a long-term investment, which should be classified into a non-current asset accordingly.

According to HKFRS 9, loan receivable from associates as well as the amounts due from associates represent an investment in the project of RGAP and hence the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, loan receivable from associates as well as the amounts due from associates are both measured at fair value through profit or loss. The directors of the Company assessed the fair value of the loan receivable from associates and amounts due from associates by taking into consideration the estimated future cash flows and timing of such cash flows discounted at market interest rate.

As at 30 June 2021, the directors of the Company reassessed the fair value of such investment after taking into consideration the estimated future cash flows and timing of such cash flows discounted at market interest rate. The fair value loss was HK\$89.4 million (six months ended 30 June 2020: HK\$97.53 million) during the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, total equity instruments at fair value through other comprehensive income amounted to HK\$3,160.7 million (31 December 2020: HK\$2,528.9 million), mainly representing that of ZhongAn Online owned by the Group of approximately HK\$2,874.6 million (31 December 2020: HK\$2,334.6 million), which was measured at fair value at the end of this reporting period. As at 30 June 2021, the fair value of ZhongAn Online represented 23% of the Group’s total assets. The Group owns approximately 5.51% of the total issued share capital of ZhongAn Online, of which the original cost is approximately HK\$92 million.

In 2020, ZhongAn Online obtained the approval for full circulation of its converted H shares and the H share full circulation programme is subject to lock-up mechanisms. In valuation of the fair value of its investment in ZhongAn Online, the Group has taken into account the aforesaid lock-up mechanisms on the domestic shares of ZhongAn Online.

Prospects

In future, ZhongAn Online, as a pioneer in the Insurtech and Fintech industry, will utilize its experience accumulated in Insurtech sector in the PRC to release the synergetic value of various ecosystems, and grow along with the industry with openness and long-term win-win as its goal.

As first Internet insurance technology company in China, ZhongAn Online will continue to embrace the two-winged growth strategy of “Insurance + Technology”, pursue the “growth with quality”, strengthen brand building, enhance long-term value creation for users through eco-oriented insurance protection services on its own platform, and apply technology development and innovation to the whole insurance process to continuously optimize the efficiency of underwriting operations and user experience. In addition, it will export its Insurtech capabilities to the domestic and foreign markets, and empower all parties involved in the upstream and downstream of the entire insurance industry chain, in order to become the best partner in the digital transformation and upgrade of the global insurance industry.

RIGHTS ISSUE

References are made to the Company’s announcement dated 6 January 2021 and circulars dated 11 February 2021 and 19 March 2021. The Company implemented the Rights Issue on the basis of four Rights Shares for every five (5) shares in issue at the Subscription Price of HK\$0.28 per Rights Share (“Rights Issue”), to raise up to approximately HK\$793.2 million by way of issuing up to 2,832,890,264 Rights Shares.

The Rights Issue was approved by the shareholders of the Company at the special general meeting dated 8 March 2021.

Use of proceeds from the Rights Issue

The Company completed the Rights Issue on 15 April 2021. The Company issued and allotted 2,832,890,264 ordinary shares at HK\$0.28 per rights share on the basis of four rights shares for every five shares held in issue. The net proceeds from the Rights Issue (after deducting expenses) are approximately HK\$788.2 million.

As of 30 June 2021, the intended use and actual use of the net proceeds from the Rights Issue, as well as the unutilized net proceeds therefrom are as follows:

| | Intended use of proceeds from the Rights Issue <i>HK\$' million</i> | Actual use of net proceeds as at 30 June 2021 <i>HK\$' million</i> | Unutilized net proceeds as at 30 June 2021 <i>HK\$' million</i> |
|--|--|---|--|
| Repayment of external debts | 118.2 | – | 118.2 |
| Further investment into the Fintech business of the Group | 591.2 | 591.2 | – |
| General working capital | <u>78.8</u> | <u>11.6</u> | <u>67.2</u> |
| Total | <u><u>788.2</u></u> | <u><u>602.8</u></u> | <u><u>185.4</u></u> |

The unutilized net proceeds from the Rights Issue will be used according to the intended use within one year as disclosed in the circular of the Company dated 11th February, 2021.

PROSPECTS

Looking forward to the second half of 2021, bottlenecks in the global supply chain and the continued spread of the epidemic will cast a shadow over the recovery of the global economy. The Federal Reserve and the Biden administration also pointed out that they will continue to adhere to accommodative economic policy, including maintaining near-zero interest rates and expansionary fiscal policies, so as to consolidate the recovery momentum of the US economy in the second half of 2021.

In China, some short-term negative factors will lead to a slowdown in economic expansion, but the general trend of upward recovery in the second half of the year will remain unchanged. Firstly, while the flood disaster in some areas will only have a short-term impact, subsequent post-disaster reconstruction can increase part of the demand. Secondly, from the Politburo meeting on 30 July, it was emphasized that the fiscal policy will form a physical workload at the end of this year and the beginning of next year, and the pace of fiscal expenditure is expected to accelerate subsequent months. Thirdly, the Politburo meeting stressed the correction of the campaign-style “carbon reduction” and creating a new model before abandoning the old model. It is expected to bring about changes amidst the downturn in the mining industry in the second quarter, to alleviate the pressure of rising commodity prices in the second half of the year. Lastly, the Politburo meeting emphasized that a sound monetary policy should be in place to help small and medium-sized enterprises and industries in distress continue to recover, and it is expected that the second half of the year will soon see an accommodative credit environment for small and medium-sized enterprises, and the financing difficulties of small and medium-sized enterprises may be alleviated to a certain extent. Under this macroeconomic trend, the Group will continue to take advantage of the economic changes and make corresponding adjustments to its development and operating strategies.

Of all the industries, we consider that the Fintech industry has the greatest development potential. Fintech has experienced rapid development over the past several years, and this technology is continuously being applied to various financial service scenarios, which not only increases the efficiency of the financial service industry, but also provides the general public with more products and service options. In particular, amidst the outbreak of the COVID-19 pandemic at the beginning of the year, technology helped to change and improve our lifestyle by providing faster and more convenient services and experiences. We witnessed rapid improvement in the potential and room for development in technology, which in turn offers more opportunities and greater value.

In terms of business development, while striving to balance the profitability and growth of the existing business, we also spare no effort in exploring new development opportunities. The Group will continue to ride on the development momentum of the Fintech industry in the future, and hope that proper resource allocation and effective management can provide a business development for the Group's stable growth and bring long-term values for shareholders.

FINANCIAL REVIEW

The Group's total borrowings was HK\$753.1 million as at 30 June 2021 (31 December 2020: HK\$753.1 million). As at 30 June 2021, the Group's gearing ratio, calculated on the basis of total borrowings over shareholders' equity, was 9.5% as compared with 11.2% as at 31 December 2020. The Group remained financially strong with a net cash position.

At 30 June 2021, HK\$859,212,000 (31 December 2020: HK\$846,038,000) were pledged to banks to secure general banking facilities granted to the Group. The borrowings of the Group is denominated in RMB and HK\$. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments have been used for hedging purposes; however, the Board will continue to evaluate and closely monitor the potential impact of RMB and interest rate fluctuation on the Group.

The Group's cash and bank balances amounted to HK\$2,969.4 million (including structured deposits, bank deposits, pledged bank deposits, and cash and cash equivalents) as at 30 June 2021, mostly denominated in RMB, HK\$ and USD.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had commitments of HK\$32.1 million in respect of properties under development and HK\$90.1 million in respect of establishment of investment fund.

CONTINGENT LIABILITIES

As at 30 June 2021, guarantees offered to banks as security for the mortgage loans arranged for the Group's property buyers amounted to HK\$9.0 million.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed approximately 683 full time employees for its principal activities. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange save as disclosed below.

Pursuant to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period, Mr. Xiang Ya Bo has undertaken both the roles of the Chairman of the Board and the Chief Executive Officer of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Xiang Ya Bo acting as both the Chairman of the Board and also as the Chief Executive Officer of the Group is acceptable and in the best interest of the Group. There are adequate balance of power and safeguards in place. The Board will review and monitor this situation periodically and would ensure that the present structure would not impair the balance of power of the Company.

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 the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2021, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and supervising over the Group’s financial reporting processes and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Xin Luo Lin, Dr. Xiang Bing and Mr. Tian Jin. The Audit Committee meets regularly with the Company’s senior management and the Company’s external auditor to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim results of the Group for the six months ended 30 June 2021 had not been audited, but had been reviewed by the Company’s external auditor, Deloitte Touche Tohmatsu and the Audit Committee.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company’s 2021 Interim Report containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange and the Company in due course.

By Order of the Board
SINOLINK WORLDWIDE HOLDINGS LIMITED
XIANG Ya Bo
Chairman and Chief Executive Officer

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises, Mr. XIANG Ya Bo (Chairman and Chief Executive Officer) and Mr. CHEN Wei as Executive Directors; Mr. OU Yaping, Mr. OU Jin Yi Hugo and Mr. TANG Yui Man Francis as Non-executive Directors; and Mr. TIAN Jin, Dr. XIANG Bing and Mr. XIN Luo Lin as Independent Non-executive Directors.