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百仕達控股有限公司^{*}

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

2024 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024

- Revenue decreased 1.8% to HK\$179.8 million
- Gross profit increased 2.4% to HK\$112.6 million
- Loss attributable to owners of the Company amounted to HK\$150.5 million
- Basic loss per share amounted to HK2.36 cents

The board of directors (the “Board”) of Sinolink Worldwide Holdings Limited (the “Company”) announced the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “Group” or “We”) for the six months ended 30 June 2024.

^{*} *For identification purpose only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended	
	<i>Notes</i>	30 June 2024	30 June 2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue			
Interest income		9,842	12,832
Rental income		80,338	79,179
Revenue from contracts with customers		89,650	91,068
		<hr/>	<hr/>
Total revenue	4	179,830	183,079
Cost of services		(67,279)	(73,207)
		<hr/>	<hr/>
Gross profit		112,551	109,872
Other income	5	49,175	49,838
Selling expenses		(697)	(1,120)
Administrative expenses		(55,319)	(57,702)
Other (losses)/gains, net	5	(31,334)	252
Fair value changes on investment properties	12	(76,944)	(256,905)
Net impairment loss on financial assets		(2,180)	(9,881)
Fair value loss on other financial assets at fair value through profit or loss ("FVTPL")		(38,745)	(14,121)
Fair value loss on loan receivable from associates at FVTPL and amounts due from associates at FVTPL		(28,925)	(77,648)
Gain on dilution of investments accounted for using the equity method	13	56,379	—
Share of results of investments accounted for using the equity method		(76,457)	(27,646)
Finance costs	6	(49,582)	(32,869)
		<hr/>	<hr/>
Loss before income tax		(142,078)	(317,930)
Income tax (expense)/credit	7	(9,043)	38,530
		<hr/>	<hr/>
Loss for the period		(151,121)	(279,400)
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		(150,515)	(259,588)
Non-controlling interests		(606)	(19,812)
		<hr/>	<hr/>
		(151,121)	(279,400)
		<hr/>	<hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share for loss attributable to owners of the Company			
– Basic	10	(2.36)	(4.07)
		<hr/>	<hr/>
– Diluted	10	(2.36)	(4.07)
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended	
	30 June 2024	30 June 2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(151,121)	(279,400)
Other comprehensive income/(expense)		
<i>Item that will be subsequently reclassified to profit or loss:</i>		
Share of exchange differences on translation		
from functional currency to presentation currency of investments		
accounted for using the equity method	(3,527)	(1,734)
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from		
functional currency to presentation currency	(38,766)	(217,548)
Fair value (losses)/gains on equity instruments at fair value		
through other comprehensive income ("FVTOCI"), net of tax	(264,747)	15,482
Share of fair value gains on equity instruments		
at FVTOCI of investments accounted for		
using the equity method, net of tax	32,307	38,531
Other comprehensive expense for the period, net of tax	(274,733)	(165,269)
Total comprehensive expense for the period	(425,854)	(444,669)
Total comprehensive expense attributable to:		
Owners of the Company	(367,049)	(387,458)
Non-controlling interests	(58,805)	(57,211)
	(425,854)	(444,669)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		As at	
	<i>Notes</i>	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	193,551	203,740
Investment properties	<i>12</i>	2,190,875	2,285,002
Investments accounted for using the equity method	<i>13</i>	2,287,408	2,296,834
Equity instruments at FVTOCI	<i>18</i>	1,178,808	1,574,566
Amounts due from associates at FVTPL	<i>15</i>	—	—
Loan receivable from an associate at FVTPL	<i>15</i>	—	—
Loan receivables	<i>14</i>	160,278	158,657
Other financial assets at FVTPL	<i>19</i>	304,561	346,416
Pledged bank deposits		411,829	754,967
Bank deposits		95,290	452,539
Other receivables	<i>17</i>	195,707	230,789
Deferred tax assets		15,394	14,966
		7,033,701	8,318,476
Current assets			
Stock of properties	<i>16</i>	870,701	868,868
Trade and other receivables, deposits and prepayments	<i>17</i>	150,035	86,108
Loan receivables	<i>14</i>	169,248	201,444
Other financial assets at FVTPL	<i>19</i>	7,012	10,848
Pledged bank deposits		1,227,382	896,909
Bank deposits		318,729	31,457
Cash and cash equivalents		710,074	512,602
		3,453,181	2,608,236

		As at	
	Notes	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Current liabilities			
Trade payables, deposits received and accrued charges	20	437,597	415,090
Contract liabilities		10,825	11,259
Income tax payable		769,034	764,037
Borrowings	22	1,684,287	1,565,700
Lease liabilities		1,586	1,643
		<u>2,903,329</u>	<u>2,757,729</u>
Net current assets/(liabilities)		<u>549,852</u>	<u>(149,493)</u>
Total assets less current liabilities		<u>7,583,553</u>	<u>8,168,983</u>
Non-current liabilities			
Lease liabilities		4,827	5,631
Deferred tax liabilities		557,563	681,208
		<u>562,390</u>	<u>686,839</u>
Net assets		<u><u>7,021,163</u></u>	<u><u>7,482,144</u></u>
Capital and reserves			
Share capital	21	637,400	637,400
Reserves		<u>5,220,155</u>	<u>5,582,727</u>
Equity attributable to owners of the Company		<u>5,857,555</u>	<u>6,220,127</u>
Non-controlling interests		<u>1,163,608</u>	<u>1,262,017</u>
Total equity		<u><u>7,021,163</u></u>	<u><u>7,482,144</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1 General information

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 is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are increasingly focused on financial technology (FinTech) investment and management, while it is also engaged in property development, property management, property investment, financial services and asset financing.

The interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollar (HK\$’000), unless otherwise stated. This interim condensed consolidated financial information has been approved by the Board on 28 August 2024.

The interim condensed consolidated financial information for the six months ended 30 June 2024 has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2024 has 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”).

This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

3 Accounting policies

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued with tax rate that would be applicable to expected total annual earnings.

(a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact in the Group in the current or future reporting periods and on foreseeable future transactions.

4 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 June 2024	30 June 2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Recognised over time under HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"):		
– Property management fee income	56,829	58,315
– Others	32,821	32,753
Recognised under HKFRS 15	89,650	91,068
Recognised under other HKFRSs:		
– Rental income	80,338	79,179
– Interest income from financing services business	9,842	12,832
	179,830	183,079

All of the Group's revenue is generated from the People's Republic of China (the "PRC") during the six months ended 30 June 2024 and 30 June 2023.

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 2024 (unaudited)

	Property management	Property investment	Financing services	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property management fee income	56,829	—	—	—	56,829
Others	—	—	—	32,821	32,821
Revenue from contracts with customers	56,829	—	—	32,821	89,650
Rental income	—	80,338	—	—	80,338
Interest income from financing services business	—	—	9,842	—	9,842
Total revenue	56,829	80,338	9,842	32,821	179,830

For the six months ended 30 June 2023 (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	58,315	—	—	—	58,315
Others	—	—	—	32,753	32,753
Revenue from contracts with customers	58,315	—	—	32,753	91,068
Rental income	—	79,179	—	—	79,179
Interest income from financing services business	—	—	12,832	—	12,832
Total revenue	58,315	79,179	12,832	32,753	183,079

(b) Segment information

Management has determined the operating segments based on the internal reports reviewed by the Group's chief operating decision makers ("CODM"), being the executive director of the Company.

The Group's organised into the following operating segments in their internal reports:

Property development: property development and sale of properties

Property investment: property leasing

Property management: provision of property management services

Financing services: provision of efficient financial leasing solutions and multiple consultancy services

Others: Income from operating hotel and primary school and provision of project management services

The CODM assess the performance of the operating segments based on a measure of segment result.

Segment result represents the loss before income tax incurred by each segment without allocation of other income, unallocated corporate expenses, unallocated other losses, gain on dilution of investments amounted for using the equity method, share of results of investments amounted for using the equity method, fair value loss on other financial assets at FVTPL, fair value loss on loan receivables from an associate and amounts due from associates at FVTPL and finance costs.

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

Six months ended 30 June 2024 (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>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	<u>—</u>	<u>80,338</u>	<u>56,829</u>	<u>9,842</u>	<u>32,821</u>	<u>179,830</u>
Result						
Segment result	<u>(926)</u>	<u>(5,870)</u>	<u>4,166</u>	<u>6,831</u>	<u>2,429</u>	<u>6,630</u>
Other income						49,175
Unallocated corporate expenses						(29,294)
Unallocated other losses						(31,259)
Gain on dilution of investments accounted for using the equity method						56,379
Fair value loss on other financial assets at FVTPL						(38,745)
Fair value loss on loan receivable from an associate at FVTPL and amounts due from associates at FVTPL						(28,925)
Share of results of investments accounted for using the equity method						(76,457)
Finance costs						<u>(49,582)</u>
Loss before income tax						<u><u>(142,078)</u></u>

Six months ended 30 June 2023 (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>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	<u>—</u>	<u>79,179</u>	<u>58,315</u>	<u>12,832</u>	<u>32,753</u>	<u>183,079</u>
Result						
Segment result	<u>(958)</u>	<u>(186,480)</u>	<u>2,015</u>	<u>1,716</u>	<u>770</u>	<u>(182,937)</u>
Other income						49,838
Unallocated corporate expenses						(26,514)
Unallocated other losses						(6,033)
Fair value loss on other financial assets at FVTPL						(14,121)
Fair value loss on loan receivable from an associate at FVTPL and amounts due from associates at FVTPL						(77,648)
Share of results of results of investments accounted for using the equity method						(27,646)
Finance costs						<u>(32,869)</u>
Loss before income tax						<u>(317,930)</u>

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.

5 Other income and other (losses)/gains, net

	Six months ended	
	30 June 2024	30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Other income comprises:		
Dividends from financial assets at FVTOCI	9,481	6,874
Interest income on bank deposits	15,887	20,150
Interest income on pledged deposits	20,386	19,947
Others	3,421	2,867
	<u>49,175</u>	<u>49,838</u>
Other (losses)/gains, net comprises:		
Gain on disposal of property, plant and equipment	672	421
Net exchange losses, net	(32,006)	(169)
	<u>(31,334)</u>	<u>252</u>

6 Finance costs

	Six months ended	
	30 June 2024	30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on borrowings	48,763	31,917
Interest on lease liabilities	185	235
Interest on deposits received for rental	634	717
	<u>49,582</u>	<u>32,869</u>

7 Income tax expense/(credit)

	Six months ended	
	30 June 2024	30 June 2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
– PRC corporate income tax	33,637	27,059
– PRC withholding income tax	7,921	—
– Over-provision of PRC corporate income tax in prior years	—	(557)
Deferred income tax	(32,515)	(65,032)
	<u>9,043</u>	<u>(38,530)</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

The corporate income tax rate applicable to the group entities located in the PRC is 25% (six months ended 30 June 2023: 25%) according to the Corporate Income Tax Law of the PRC (the "CIT Law").

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. LAT has not been provided as the Group did not have any sale of properties for both periods.

PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law issued on 6 December 2017, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2024 (six months ended 30 June 2023: 16.5%). Hong Kong profits tax has not been provided as the Group did not have any assessable profit for both periods.

8 Expenses by nature

	Six months ended	
	30 June 2024	30 June 2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Employee benefit expenses (including directors' emoluments)	64,023	61,164
Depreciation of right-of-use assets	1,438	1,544
Depreciation of other property, plant and equipment	8,376	11,779
Legal and professional fees	3,719	7,733
Utilities	8,267	8,801
Repairs and maintenance	7,553	6,968
Bank charges	7,945	5,238
Auditor's remuneration		
– Audit and audit-related services	800	800
– Non-audit services	—	1,380

9 Dividends

No dividends were paid, declared and proposed by the Company during the interim period (six months ended 30 June 2023: nil). The directors resolved that no dividend will be paid in respect of the interim period (six months ended 30 June 2023: nil).

10 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended	
	30 June 2024	30 June 2023
	(unaudited)	(unaudited)
Loss attributable to owners of the Company during the periods (HK\$'000)	150,515	259,588
Weighted average number of ordinary shares in issue	6,374,003,096	6,374,003,096
Basic loss per share (HK\$ cents)	<u>2.36</u>	<u>4.07</u>

(b) Diluted

Diluted loss per share is calculated by adjusting the net loss and the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive shares.

For the six months ended 30 June 2024, the Group has three categories of potentially dilutive shares: convertible bonds issued by the Company (Details set out in Note 24), share options issued by the Company and an investment accounted for using the equity method - ZhongAn Technologies International Group Limited ("ZhongAn International") (six months ended 30 June 2023: share options issued by the Company and an investment accounted for using the equity method - ZhongAn International).

The diluted loss per share for the six months ended 30 June 2024 and 2023 equal to the basic loss per share as the impacts of dilution of the convertible bonds and share options issued by the Company and an investment accounted for using the equity method - the share options of ZhongAn International are anti-dilutive.

11 Movements in property, plant and equipment

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately HK\$2,114,000 (six months ended 30 June 2023 (unaudited): HK\$2,260,000).

As at 30 June 2024, the Group has provided an accumulated impairment of HK\$58,882,000 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, approximated the carrying amount of that as at 30 June 2024, there is no impairment or reversal of impairment recognised in current interim period.

12 Investment properties

	Six months ended	
	30 June 2024	30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Opening net book amount	2,285,002	2,574,020
Fair value changes on investment properties	(76,944)	(256,905)
Exchange realignment	(17,183)	(71,766)
	<u>2,190,875</u>	<u>2,245,349</u>

The Group measures its completed investment properties at fair value at 30 June 2024 and 31 December 2023, which have been arrived at on the basis of a valuation carried out on those dates by an independent qualified professional valuer, who is the member of the Hong Kong Institute of Surveyors. For all investment properties, their current use equates to the highest and best use.

The management of the Group works closely with the independent professional valuer to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the executive director of the Company to explain the cause of the fluctuations.

The fair values of investment properties were 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 measurement of the Group's investment properties is categorised into level 3 in the fair value hierarchy based on the inputs to valuation techniques used. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3. There has been no change from the valuation technique used in the prior year for offices and retail premises. There were no changes to the valuation techniques during the period.

At 30 June 2024, the Group's investment properties with carrying values of HK\$427,163,000 (31 December 2023: HK\$441,501,000) were pledged to secure general banking facilities granted to the Group.

13 Investments accounted for using the equity method

	As at	
	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Cost of unlisted investments accounted for using the equity method	3,014,232	3,014,232
Share of post-acquisition results and gain on dilutions (Note i)	(726,824)	(717,398)
	<u>2,287,408</u>	<u>2,296,834</u>

Notes:

- (i) During the six months ended 30 June 2024, the Group's share of loss and other comprehensive income from investments accounted for using the equity method was mainly arisen from loss and other comprehensive income of ZhongAn International amounted to HK\$101,651,000 and HK\$28,780,000, respectively (six months ended 30 June 2023 (unaudited): share of loss and other comprehensive income was mainly arisen from loss and other comprehensive income of ZhongAn International amounted to HK\$102,038,000 and HK\$57,017,000, respectively).
- (ii) During the six months ended 30 June 2024, ZhongAn International has issued 28,952,677 shares to the other shareholder of ZhongAn International, and thus, the Group's equity interests in ZhongAn International is decreased from 45.53% to 45.08%. The dilution of the interests in ZhongAn International resulted in a gain of approximately HK\$56,379,000, being the difference between the proportionate share of ZhongAn International's net assets attributable to the Group and the carrying amount of the interests in ZhongAn International before the dilution, recognised in the interim condensed consolidated profit or loss during the six months ended 30 June 2024.

14 Loan receivables

	As at	
	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Loan receivables (Note i, ii)	389,408	418,259
Less: loss allowance	(59,882)	(58,158)
Total	<u>329,526</u>	<u>360,101</u>
The loan receivables analysed as follows:		
Non-current	160,278	158,657
Current	169,248	201,444
	<u>329,526</u>	<u>360,101</u>

Notes:

- (i) Loan receivables to independent third parties are unsecured and carried interest rate ranged from 3.0% to 6.0% (31 December 2023: 4.0% to 6.0%) per annum and will be matured in 2024 to 2027 (31 December 2023: 2024 to 2025).
- (ii) As at 30 June 2024, included in the loan receivables are two entrusted loans provided to an independent third party with remaining principal of RMB100,000,000 (equivalent to approximately HK\$109,890,000) and RMB50,000,000 (equivalent to approximately HK\$54,945,000) with expiry date on 18 August 2024 and 27 December 2024 respectively. The two entrusted loans are unsecured and interest rates are fixed at 5% per annum. Subsequent to the reporting period, the two entrusted loans have been extended to 13 August 2025 and secured by a share charge of 49% equity interest of the borrower. For further details, please refer to the Company's announcement dated 25 July 2024.

As part of the Group's credit risk management, the debtors are assessed individually by the management of the Group as at 30 June 2024 and 31 December 2023 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 0.11% to 25.02% (31 December 2023: 0.04% to 23.1%) is applied to the debtors. As at 30 June 2024, the impairment loss allowance on loans receivables is HK\$59,882,000 (31 December 2023: HK\$58,158,000).

The 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 six months ended 30 June 2024, the Group has recognised provision for impairment loss allowance of HK\$2,180,000 (six months ended 30 June 2023 (unaudited): provision for impairment loss allowance of HK\$9,881,000).

15 Loan receivable from an associate at FVTPL/amounts due from associates at FVTPL

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Loan receivable from an associate and amounts due from associates at FVTPL	239,932	268,857
Less: Share of loss and other comprehensive expenses of associate in excess of cost of investment	(239,932)	(268,857)
	<u>—</u>	<u>—</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 at 30 June 2024 and 31 December 2023, amounts due from associates, which represented the current account with RGAP Group which also forms part of the net investment in RGAP. The loan receivable from an associate and amounts due from associates are unsecured and has no fixed repayment terms. The directors of the Company consider that the loan receivable from an associate at FVTPL and amounts due from associates at FVTPL will not be repayable within one year from the end of the reporting period, they are classified as non-current asset accordingly.

As the loan receivable from an associate and amounts due from associates were 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 from an associate and amounts due from associates.

Loan receivable from an associate and 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 an associate and amounts due from associates by the Group and a detailed analysis of the particular facts and circumstances led to the conclusion that the repayments of loan receivable and amounts due from associates do not solely payments of principal and interest on the principal amount outstanding. Hence, loan receivable from an associate 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 an associate at FVTPL and amounts due from associates at FVTPL by taking into consideration the expected time to sell the residential properties and the expected market price and the future rental income of the properties, where appropriate, in order to determine the estimated future cash flows to the Group and timing of such cash flows discounted at market interest rate.

16 Stock of properties

	As at	
	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Properties under development	870,701	868,868

Properties under development of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

At 30 June 2024 and 31 December 2023, no properties under development were pledged as securities for the Group's borrowing.

17 Trade and other receivables, deposits and prepayments

	As at	
	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Trade receivables from property management and property investment business, net	5,215	4,299
Less: loss allowance	—	—
Total trade receivables, net	5,215	4,299
Interest receivables from bank deposits and pledged bank deposits	152,152	122,892
Other receivables, deposits and prepayments	29,976	31,307
Tax reserve certificates	158,399	158,399
	345,742	316,897
Non-current	195,707	230,789
Current	150,035	86,108
	345,742	316,897

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, net of allowance for credit loss.

	As at	
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Aged:		
0 to 60 days	3,061	2,413
61 to 180 days	1,403	1,439
Over 181 days	751	447
	5,215	4,299

The Group applied simplified approach to provide for expected credit loss (“ECL”) prescribed by HKFRS 9 “Financial Instruments” (“HKFRS 9”). 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.

18 Equity instruments at FVTOCI

	As at	
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Equity securities of ZhongAn Online P&C Insurance Co., Limited (“ZhongAn Online”), at fair value (Note i)	1,099,980	1,445,040
Equity securities of an entity listed in Hong Kong, at fair value	—	46,749
Unlisted fund investments in the PRC and overseas, at fair value	69,481	70,708
Unlisted equity securities in Hong Kong and the PRC	9,347	12,069
Total (Note ii)	1,178,808	1,574,566

Notes:

- (i) As at 30 June 2024, the Group held 81,000,000 the public-traded ordinary share capital of ZhongAn Online (“ZhongAn Online H Shares”) which are subject to lock-up mechanisms, of which 18,942,222 (31 December 2023: 18,942,222) ZhongAn Online H Shares lock-up has expired in 31 December 2021 and the lock-up of the remaining 62,057,778 (31 December 2023: 62,057,778) ZhongAn Online H Shares will expire in December 2024. The fair value of investment in ZhongAn Online as at 30 June 2024 and 31 December 2023 have been arrived based on the quoted bid prices in an active market.
- (ii) The Group has made an irrevocable election to designate these investments in equity instruments as at FVTOCI. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

19 Other financial assets at FVTPL

	As at	
	30 June 2024 <i>HK\$’000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$’000</i> <i>(audited)</i>
Equity securities listed in Hong Kong	1,466	2,703
Equity securities listed in the PRC	5,546	8,145
Equity securities listed in the overseas	—	5,311
Unlisted equity securities in the PRC	—	5,519
Unlisted fund investments in the PRC	220,140	228,582
Unlisted fund investments in overseas	104,421	107,004
	<u>311,573</u>	<u>357,264</u>
Other financial assets at FVTPL analysed as follows:		
Non-current	304,561	346,416
Current	7,012	10,848
	<u>311,573</u>	<u>357,264</u>

20 Trade and other payables, deposits received and accrued charges

	As at	
	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	33,974	30,376
Accruals for construction work	135,888	134,360
Deposits received for rental	35,552	31,974
Advance lease payments	10,626	7,710
Deposits received for management fee	57,969	55,578
Other tax payables	29,108	21,698
Salaries payables and staff welfare payables	58,498	56,885
Other payables and accrued charges	75,982	76,509
	<u>437,597</u>	<u>415,090</u>

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

	As at	
	30 June 2024 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
Aged:		
0 to 90 days	9,639	5,262
91 to 180 days	981	1,026
181 to 360 days	2,877	1,593
Over 360 days	20,477	22,495
	<u>33,974</u>	<u>30,376</u>

21 Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>15,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid:		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>6,374,003,096</u>	<u>637,400</u>

Note:

On 30 May 2024, the Board of Directors proposed to implement the capital reorganisation which would involve the capital reduction, the capital diminution and the capital increase ("Capital Reorganisation"). The Capital Reorganisation was approved by the shareholders of the Company at a special general meeting held on 3 July 2024 and became effective on 5 July 2024.

(i) Capital Reduction

The capital reduction would involve the reduction of par value of the all issued existing shares from HK\$0.10 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each issued existing share.

(ii) Capital Diminution

Subject to the capital reduction taking effect, the capital diminution would take place which would involve the cancellation of all authorised but unissued share capital of the Company in its entirety resulting in the diminution of the authorised share capital of the Company by such amount representing the amount of shares cancelled.

(iii) Capital Increase

Subject to the capital diminution taking effect, the capital increase would take place which would involve the increase in the authorised share capital of the Company to HK\$1,500,000,000 by the creation of such number of additional new shares as shall be sufficient to increase the authorised share capital of the Company to HK\$1,500,000,000 divided into 150,000,000,000 shares of par value of HK\$0.01 each.

The proposed Capital Reorganisation was approved by the shareholders of the Company at a special general meeting on 3 July 2024 and became effective on 5 July 2024.

Upon the effective of Capital Reorganisation, the authorised share capital of the Company becomes HK\$1,500,000,000 divided into 150,000,000,000 shares of par value of HK\$0.01 each, of which 6,374,003,096 shares have been issued and were fully paid or credited as fully paid. In addition, the par value of HK\$0.10 of each of the 6,374,003,096 issued existing shares was reduced from HK\$0.10 to HK\$0.01 per issued new share by cancelling the paid-up share capital to the extent of HK\$0.09 per issued existing share by way of a reduction of capital, the Company's existing issued share capital of approximately HK\$637,400,000 was reduced by approximately HK\$573,660,000 to HK\$63,740,000, the amount was credited to the contributed surplus.

22 Borrowings

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Bank borrowings - secured and repayment on demand	<u>1,684,287</u>	<u>1,565,700</u>
Carrying amounts of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	1,469,787	1,345,700
Within a period of more than one year but not exceeding two years	11,000	11,000
Within a period of more than two years but not exceeding five years	<u>203,500</u>	<u>209,000</u>
	<u>1,684,287</u>	<u>1,565,700</u>
Less: Amount classified as current liabilities	<u>(1,684,287)</u>	<u>(1,565,700)</u>
Amount due after one year and classified as non-current liabilities	<u>—</u>	<u>—</u>

Bank borrowings were denominated in the following currencies:

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
HK\$	367,200	1,565,700
RMB	<u>1,317,087</u>	<u>—</u>
	<u>1,684,287</u>	<u>1,565,700</u>

During the six months ended 30 June 2024, borrowings of HK\$1,198,500,000 denominated in HK\$ were repaid before its original maturity. The Group obtained new banking facilities amounted to HK\$620,000,000 and HK\$900,000,000 or its RMB equivalent with two banks and RMB1,202,500,000 (equivalent to approximately HK\$1,322,883,000) were drawn down.

As at 30 June 2024, bank borrowings of HK\$1,684,287,000 (31 December 2023: HK\$1,565,700,000) carried interest at benchmark interest rate as stipulated by Chinese Yuan in Hong Kong Hong Kong Interbank Offered Rate or Hong Kong Interbank Offered Rate (“HIBOR”) plus a certain percentage (31 December 2023: HIBOR plus a certain percentage).

The interest rates as at the end of the reporting period for the loans range from 3.43% to 6.11% (31 December 2023: 7.12% to 8.02%) per annum.

At 30 June 2024, pledged bank deposits of HK\$1,639,211,000 (31 December 2023: HK\$1,651,876,000) and investment properties of HK\$427,163,000 (31 December 2023: HK\$441,501,000) were pledged to banks to secure general banking facilities granted to the Group.

As at 30 June 2024 and 31 December 2023, the Group has the following undrawn borrowing facilities:

	As at	
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Expiring within one year	202,913	152,800

23 Share options

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 the 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.

A share option scheme was adopted by shareholders of the Company on 31 May 2022 (the “2022 Share option Scheme”), under which the board of directors may, at its discretion, offer any employee (including the 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 2022 Share Option Scheme has a life of 10 years. During the six months ended 30 June 2024, no share options have been granted (31 December 2023: nil).

The table below discloses movement of the Company’s share options held by the directors and the employees for 2012 Share Option Scheme:

	Number of share options		
	As at	Lapsed	As at
	1 January	during	30 June
	2024	the period	2024
	(audited)		(unaudited)
Exercisable share options	124,848,000	(10,404,000)	114,444,000

	Number of share options		
	As at	Lapsed	As at
	1 January	during	30 June
	2023	the period	2023
	(audited)		(unaudited)
Exercisable share options	131,784,000	(6,936,000)	124,848,000

All share options granted under 2012 Share Option Scheme were fully vested as at 31 December 2023 and 30 June 2024. As at 30 June 2024, the share option under 2012 Share Option Scheme is exercisable from the completion of vesting period to 14 May 2025 with exercise price of HK\$1.185 (31 December 2023: HK\$1.185).

As at 30 June 2024, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 114,444,000 (31 December 2023: 124,848,000), representing 1.8% (31 December 2023: 2.0%) of the shares of the Company in issue.

24 Events occurring after the reporting period

Other than those disclosed elsewhere in the interim condensed consolidated financial information, the following events occurred after the reporting period are non-adjusting events and do not result in any adjustments to the interim condensed consolidated financial information for the six months ended 30 June 2024.

Convertible bonds issued by the Company

On 30 April 2024, the Company entered into the subscription agreement (as amended and supplemented on 31 May 2024) (“Subscription Agreement”) with Mr. Ou Yaping (the “Controlling Shareholder” or “Subscriber”). Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, or procure his nominee(s) to subscribe for, the convertible bonds with an aggregate principal amount of HK\$200,000,000, subject to the shareholders’ approval. The issue of the convertible bonds is approved by the shareholders of the Company at a special general meeting on 3 July 2024.

On 12 July 2024 (“Issue Date”), the Company issued a three-year zero-coupon convertible bonds with a nominal value of HK\$200,000,000 to Asia Pacific Promotion Limited, which is wholly-owned by the Subscriber. The convertible bonds are denominated in HK\$. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the 181 days after the Issue Date of the bonds and their settlement date on 12 July 2027 (“Maturity Date”) at an initial conversion price of HK\$0.085 per ordinary share. If the bonds not been converted, they will be redeemed on Maturity Date at par. The relevant financial impact of the issuance of convertible bonds will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2024.

Subscription of ZhongAn International

On 12 July 2024, ZhongAn International entered into a share purchase agreement with other shareholders of ZhongAn International and certain individual third parties (the “Investors”) (“ZhongAn International Share Subscription”), pursuant to which ZhongAn International agreed to issue and allot up to 110,354,279 new ordinary shares to the Investors for a total subscription price of US\$32,200,000 and 12,415,993 new ordinary shares to the existing shareholders. The ZhongAn International Share Subscription is completed on 5 August 2024. Thus, the Group’s equity interests in ZhongAn International further decreased from 45.08% to 43.50%. The relevant financial impact of the subscription of ZhongAn International will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, the international situation was still austere, complicated and changeable, geopolitical and economic uncertainties continued to weigh on global financial markets. The increase of global inflation and hike in interest rate largely affected the prices which remain on the high level. However, domestic economy in China maintained a steady recovery trend with improving momentum. The government gradually eased the industrial policies to promote technological innovation, quality development, and structural optimisation among enterprises, and further underscored consumption-driven development concept in its economic report.

The FinTech industry is a technology-driven financial innovation industry. The booming digital economy has provided a broad space for its development and the rapidly evolving digital technology has injected abundant vitality into the digital transformation of finance. Despite uncertainties in the development environment both domestically and abroad, the comprehensive development of digital transformation of finance driven by FinTech has become a definite trend with marvellous development prospects. As China emerged from the pandemic, the national economy has steadily restarted. The FinTech sentiment index has reached a new record since pandemic, reflecting the greater resilience and expected steady growth of the industry. China's FinTech industry is during its rapid development based on the current FinTech development status. Across the megatrend of the digital transformation of the financial services industry, China's FinTech market is expected to maintain at a CAGR of approximately 18% during the period, and reach RMB1.39 trillion by 2028.

The real estate market in the PRC has become an important pillar of the national economy and the wealth store after more than 20 years of rapid growth. However, concomitant with disappearing demographic dividend, entering late stages of urbanization, slowing down of economic growth, advancing of financial deleveraging and strengthening government regulation and control, is the real estate market facing unprecedented challenges and pressure. In the first half of 2024, the government departments at all levels actively optimised the property policies to facilitate a steady operation of real estate market, especially in business property loans, lowering mortgage interest rates, and reducing down payments for house purchases, while Shanghai, Guangzhou, Hangzhou, Xi'an and other cities relaxing purchase restrictions. It is expected that in the second half of 2024, the real estate market will be still in the stage of adjustment and transformation, and the government is expected to continue to appropriately relax some restrictive measures to stimulate housing demand and consumption on the premise of maintaining the same policy control.

In respect of inflation, the international economy is still operating below potential output and the overall inflationary pressure is low. As of July 2024, consumer price index (CPI) rose by 0.5% year-on-year from fall and Producer Price Index (PPI) dropped by 0.8% year-on-year. We believed that the overall price level is still difficult to get rid of downward pressure in a short period of time in the second half of the year, and the domestic demand needs to be strengthened by policies.

The internal and external environment faced by China is still complex and changeable, and the recovery rate of the domestic economy has further slowed down. The domestic effective demand is insufficient, and the endogenous driving force for the recovery of production, investment and consumption is not strong. Restoring and expanding demand is the key to the sustained recovery of the current economy. Overall, although supply-side and demand-side pressures still exist, the continued strength of economic stabilization policies will provide guarantees for the sound economic operation, which may help domestic production demand and consumer demand stabilize and recover.

Against this backdrop and macro environment, the Group has been exploring new growth approaches to capture potential opportunities arising from the new form of economic development, while seeking opportunities and launching initiatives for investing and participating in particularly financial technology and new economy sectors and striving for greater room to expand its operations in pursuit of sustainable development and stable return.

The Group has been actively responding to the Chinese government's and the Hong Kong SAR government's continued approach to promote FinTech 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 2024, the Group's revenue was HK\$179.8 million, slightly decreasing by 1.8% as compared to the same period of last year. Gross profit was HK\$112.6 million, increasing by 2.4% as compared to the same period of last year. The Company recorded loss attributable to owners of the Company of HK\$150.5 million during the period, as compared to HK\$259.6 million for the same period of last year. Basic loss per share amounted to HK2.36 cents, as compared to HK4.07 cents for the same period of last year.

FINANCING SERVICES BUSINESS

Financing services business is principally engaged in provision of efficient financial leasing solutions and multiple consultancy services, to satisfy technology and new economy companies' demands for financial services at different stages of development. The financing services business is financed by the Group's internal resources. In view of the fast development and adjustment in the financing services business in the PRC in recent years and our high standard requirements and emphasis on risk assessment on customers, the current source of customers are mainly by referral of close business partners or customers with excellent credit records.

As at 30 June 2024, the Group has a total of 5 borrowers (31 December 2023: 5) with total outstanding loan principal and interest receivables in the sum of HK\$329.5 million (31 December 2023: HK\$360.1 million), which comprised of entrusted loans of HK\$163.0 million (31 December 2023: HK\$161.9 million) to 1 borrower (31 December 2023: 1), other loans of HK\$166.5 million (31 December 2023: HK\$198.2 million) to 4 borrowers (31 December 2023: 4). As at 30 June 2024, a sum of HK\$163.0 million (31 December 2023: HK\$161.9 million) was due from the largest borrower of the Group and an aggregate sum of approximately HK\$329.5 million (31 December 2023: HK\$360.1 million) was due from the five largest borrowers of the Group.

As at 30 June 2024, the ageing analysis of the Group's outstanding loan receivables based on the remaining contractual maturity date is set out below:

	30 June 2024		31 December 2023	
	<i>HK\$'million</i>	<i>% of total</i>	<i>HK\$'million</i>	<i>% of total</i>
	<i>(unaudited)</i>			
Within one year	169.2	51.4	201.4	55.9%
In the second year	160.3	48.6	158.7	44.1%
Total	329.5	100.0	360.1	100.0%

For the six months ended 30 June 2024, the interest income from financing services business amounted to HK\$9.8 million (six months ended 30 June 2023: HK\$12.8 million) which mainly comprised interest income from entrusted loans of HK\$3.5 million (six months ended 30 June 2023: HK\$5.1 million) and interest income from other loans of HK\$6.3 million (six months ended 30 June 2023: HK\$7.7 million).

The Group has provided business factoring services, specifically as receivables-based lending services in the PRC. In order to enhance its cashflow problem to meet its operation needs, trade receivables from customers are pledged to the Group to obtain a short term borrowings. The legal title of the receivables has not changed. Business factoring services are regulated by the Measures for the Supervision and Administration of Commercial Factoring Companies in Tianjin* (《天津市商業保理公司監督管理暫行辦法》). The Group did not provide any receivables-based lending services in 2024 and 2023.

The Group has provided entrusted loans to certain PRC customers. Entrusted loans are loans made to the customers, using a licensed bank as a servicing agent. The Group will pay the licensed bank a service fee and the credit risk is borne by the Group. Entrusted loans service is regulated by the Administrative Measures on Entrusted Loans of Commercial Banks* (《商業銀行委託貸款管理辦法》) issued by China Banking and Insurance Regulatory Commission* (中國銀行保監督管理委員會). During the six months ended 30 June 2024, the entrusted loans are unsecured, interest rates are fixed at 5% per annum (six months ended 30 June 2023: 5%) with terms of 1 to 2 years (six months ended 30 June 2023: 1 to 2 years). During the six months ended 30 June 2024 and 30 June 2023, entrusted loans are provided to an independent third party with principal of RMB150 million and RMB180 million respectively. The loans are unsecured, interest rates are fixed at 5% per annum (six months ended 30 June 2023: 5%), and with terms of 1 to 2 years (six months ended 30 June 2023: 1 to 2 years). Subsequent to the reporting period, the loans with original expiry date on 18 August 2024 and 27 December 2024 have been extended to 13 August 2025 and secured by a share charge of 49% equity interest of the borrower. For further details, please refer to the Company's announcement dated 25 July 2024.

* For identification purpose only

The Group had loan receivables provided to independent third parties. During the six months ended 30 June 2024 and 30 June 2023, the major loan receivables are provided to an independent third party with principal of RMB190 million and RMB220 million respectively. The loan is unsecured, interest rate at 6% per annum with original expiry date in September 2023. In September 2023, part of the loan with principal of RMB190 million had been extended for two years which will expire in September 2025. For further details, please refer to the Company's announcement dated 27 September 2023.

The Group had provided financial leasing services in the PRC for customers (from individuals to corporates) for equipment (ranging from office equipment, 3C equipment and motor vehicles). Financing lease services is regulated by the Interim Measures for the Supervision and Administration of Shanghai Finance and Leasing Companies* (《上海市融資租賃公司監督管理暫行辦法》). The Group did not provide any financial leasing services in 2024 and 2023.

As at 30 June 2024, loan receivables to independent third parties are unsecured, carried at fixed interest rate ranged from 3.0% to 6.0% (31 December 2023: 4.0% to 6.0%) per annum and will be matured in 2024 to 2027 (31 December 2023: 2024 to 2025). We made continuous efforts to enhance risk management of the financial leasing and factoring business.

Credit risk and impairment assessment

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. The internal credit rating system is a matrix of factors by performing background search and considering historical creditworthiness information, industry recognition. Credit risk of loans receivables, finance lease receivables, entrusted loans and receivables-based lending services are assessed individually. Collateral can be one of the ways to mitigate credit risk to certain extent, nevertheless, the Group mostly provides financing services based on the stringent credit assessment and puts more emphasis on the counterparties' ability to meet obligations out of their cash flows, income, net worth and historical credit records.

The Group has closely monitored the recoverability of the receivables to these counterparties, including considering the reasonableness and supportiveness of both available quantitative and qualitative information, ensured that adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances. Effective measures include periodic visit to customers, regular updates of financial information and obtaining customer's future prospects.

Management has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's receivables and loans portfolio. In addition, management reviews the recoverable amount of loan receivables individually at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

* *For identification purpose only*

For the six months ended 30 June 2024, the provision for impairment loss on loan receivables amounted to approximately HK\$2.2 million (six months ended 30 June 2023: HK\$9.9 million), representing a decrease of approximately HK\$7.7 million. The net impairment loss was comprised of a reversal of impairment loss made for loan receivables categorised for entrusted loans of approximately HK\$2.3 million (six months ended 30 June 2023: an impairment loss of HK\$4.0 million) and an impairment loss made for loan receivables categorised for other loans of approximately HK\$4.5 million (six months ended 30 June 2023: HK\$13.9 million), respectively. The Group applies general approach to provide for Expected Credit Loss for loan receivables prescribed by Hong Kong Financial Reporting Standard (“HKFRS”) 9 Financial Instruments. Loans receivables are assessed individually by the management of the Group by reference to past default experience, current past due exposure of the debtor, the nature and prospect of the debtor’s operation.

In determining whether there have been significant increases in credit risk, the following key criteria are taken into account:

- (a) an actual or expected significant deterioration in the borrower’s external (if available) or internal credit rating;
- (b) significant deterioration in external market indicators of credit risk for the corporate borrower;
- (c) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower’s ability to meet its debt obligations;
- (d) an actual or expected significant deterioration in the operating results of the corporate borrower;
- (e) significant increases in credit risk on other financial instruments of the same corporate borrower;
- (f) an actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations;
- (g) status of the loan and interest receivables as at the reporting date, including any breach of contract such as a default or past due event as at the reporting date; and
- (h) whether it is probable that the borrower will enter bankruptcy or other financial reorganisation.

A borrower will be regarded as credit-impaired if he/she is in default of the loan principal, or has entered bankruptcy or other financial reorganisation, or has severely delayed payments of the loan principal or interests.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

AA Investment Management Limited (“AA Investment”) is a wholly-owned subsidiary of the Company and is a Hong Kong-based wealth management and asset management company which holds Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) Licenses of the Securities and Futures Commission of Hong Kong (“SFC”) to carry out regulated activities in the financing services sector.

AA Investment offers its retail and institutional clients a fully digital investment fund dealing and discretionary portfolio management services through different channels (mobile application and/or backend integration). In the first half of 2024, there are multiple challenges in global financial market, AA Investment’s management team will closely monitor the risks and uncertainties, adjust its business and operating strategies in a timely and efficient manner.

We believe that there are new opportunities arising by entering the post-epidemic stage. 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.

JOINT VENTURE – ZHONGAN INTERNATIONAL (OR “ZATI”)

Overseas Technology Export

Peak3 (Hong Kong) Limited (“Peak3”), formerly known as ZA Tech Global Limited (“ZA Tech”), a technology subsidiary of ZATI founded in 2018, focuses on exporting cloud-native, modular, no-code/low-code digital solutions to overseas insurance companies and insurance intermediary platforms, including insurance core system, distribution system, customer data platform (CDP) and AI solutions, which provide a digital infrastructure to support all kinds of insurance business models, insurance product lines (life insurance, health insurance, property and casualty insurance, etc.) and every part of the end-to-end insurance business value chain.

During the six years of its development, based on its two core product solutions, namely Graphene and Fusion, Peak3 has established cooperation with insurance companies including AIA, Generali, Prudential and Zurich. Meanwhile, it has also collaborated with digital platforms such as Carro, Grab, Klook and PayPay to build and expand its embedded insurance business.

At present, Peak3 has established a presence in 12 countries and regions worldwide. It has established the “Asia Fintech Center” in Singapore and has offices in 16 countries and regions including Japan, Thailand, Germany, Denmark, France, and Ireland.

With the in-depth implementation of the Belt and Road Initiative, Chinese companies such as Alibaba, TikTok and DJI have been actively expanding their global footprint, while Peak3 has deeply involved itself in their global expansion with its one-stop insurance solutions and become their indispensable partner. In May 2024, ZA Tech and SZ DJI Technology Co., Ltd. launched an agricultural drone damage insurance solution in Thailand, which facilitated the quick implementation of DJI’s project in Thailand based on ZhongAn’s extensive cooperation network and solid insurance technology capabilities overseas.

In June 2024, Peak3 announced the completion of its series A financing of US\$35 million and officially changed its name to Peak3. This round of financing was led by EQT, a large European private equity investment firm, and followed by Alpha JWC Ventures, a leading venture capital firm in Southeast Asia. Following this round of financing, Peak3 will accelerate its expansion in the Europe, Middle East and Africa (EMEA). At the same time, in line with the general trend of AI empowering the insurance industry, Peak3 will also facilitate its investments in AI and big data, with a view to driving the digital transformation of the global insurance industry toward intelligence.

Peak3 recorded revenue from technology export of RMB123 million in the first half of 2024, representing an increase of 3.8% as compared with the corresponding period of 2023, the annualised recurring revenue¹ reached RMB127 million, and the gross profit margin remained stable at approximately 32.0%. Meanwhile, due to its persistent focus on cost-efficiency, the company's net loss margin narrowed by 55.2 percentage points.

Digital Banking and Virtual Insurance in Hong Kong

ZA Bank Limited ("ZA Bank"), a subsidiary of ZATI and a digital bank in Hong Kong, became one of the first banks in Hong Kong having been granted a virtual banking license on 27 March 2019, and officially commenced operation on 24 March 2020. ZA Bank aims to build a local one-stop digital financial service platform in Hong Kong to provide diversified, convenient and inclusive financial services to retail customers and SMEs.

At present, ZA Bank has become one of the most comprehensive digital banks in the Hong Kong market that offers the most comprehensive functions and products, building a one-stop integrated digital financial service platform through its mobile app, which operates in a fully digitalized mode. ZA Bank is currently the only digital bank that offers users 24/7 digital banking services such as deposits, loans, transfers, card spending, foreign exchange, insurance, investment and business banking.

ZA Bank became the first digital bank in Hong Kong having been granted a Type 1 regulated activity (dealing in securities) license by the SFC in January 2022, and has been actively expanding its product suite for investment business since then. Following the launch of its fund investment services in August 2022, ZA Bank officially introduced its US stock trading services in February 2024 to further meet the needs of its customers for wealth management.

¹ Annualized recurring revenue is calculated based on the subscription revenue from the most recent month multiplied by 12, and monthly recurring revenue refers to revenue for the month from subscription services under active contracts.

ZA Bank has been highly recognized by leading international media outlets for its outstanding performance in the digital banking sector and innovative financial solutions. In 2024, ZA Bank became the first bank in Hong Kong to be named the “Rising Star” in “Awards for Excellence” by the globally renowned financial magazine, Euromoney and ZA Bank is the only company in Hong Kong to win this award in 2024. “Awards for Excellence” of Euromoney is one of the world’s most prestigious accolades in the banking industry. This year, awardees include banks from over 25 countries and territories, of which companies from only 4 countries or territories won the “Rising Star” award. ZA Bank was also named “Virtual Bank of the Year - Retail Banking” for the second consecutive year in the “Triple A Digital Awards” by the prestigious magazine, The Asset. ZA Bank’s express online business account opening service officially launched in April 2023 was also awarded the “SME Digital Innovation of the Year - Hong Kong” by the international financial media, Asian Banking & Finance, in recognition of the digitalized commercial banking products to support SMEs.

As at 30 June 2024, ZA Bank had a deposit balance of approximately HK\$16,801 million. Gross loan balance was approximately HK\$5,619 million, with a loan-to-deposit ratio of 33.4%. Meanwhile, benefiting from the interest rate hike cycle and the diversification of loan products, ZA Bank’s net interest margin further improved to 2.21% from 1.87% in the same period of 2023, which was better than the industry average.

During the reporting period, with the launch of new products, ZA Bank recorded net revenue of approximately HK\$255 million, representing a year-on-year increase of 45.9%, of which non-interest income accounted for approximately 18.4%. Meanwhile, ZA Bank focused on business quality and operating efficiency improvement, and the net loss amounted to HK\$109 million, down by nearly HK\$100 million from the same period of last year. The loss margin narrowed by approximately 71.7 percentage points to 42.9% from 114.6% in the corresponding period of 2023.

In terms of technology, ZA Bank, as a tech-driven leading digital bank driven by technology, has successfully migrated its core system to the “Cross-cloud operations (跨雲雙活)” cloud-based infrastructure, thereby providing users with more durable, scalable and resilient 24/7 banking services.

In terms of preventing money laundering and fraud, ZA Bank is committed to safeguarding user’s money with FinTech, with the aim of providing users with innovative services while actively promoting the development of RegTech. Thanks to its in-house built systems, ZA Bank has significantly enhanced its capabilities in risk controls and information technology security in recent years. In March 2024, ZA Bank won the annual “Good Organization Award” presented by the Hong Kong Police Force, the only bank to be awarded in the category this year, as well as the first digital bank to receive this award.

ZA Bank also capitalizes on opportunities emerging from Web3 development of Web3 and strategically plans related businesses. In April 2023, ZA Bank unveiled its “Banking for Web3” vision, which sets out its commitment to leverage technology to promote the integration of traditional banking services with the Web3 world. The bank seeks to actively support the development plan of the HKSAR government, and participate in the building of a vibrant Web3 sector and ecosystem.

In July 2024, shortly after the Hong Kong Monetary Authority announced the list of participants of the stablecoin issuers issuer sandbox, ZA Bank subsequently announced that it would become the first local digital bank to provide dedicated “reserve banking services” for stablecoin issuers, making it one of the first banks in Hong Kong to provide such services.

In terms of virtual insurance business, ZA Life Limited (“ZA Life”) is dedicated to offering affordable insurance services, and providing users with insurance products and services that “everyone can afford” through its 24/7 online platform, including life insurance, Voluntary Health Insurance Scheme (VHIS), cancer insurance, accident insurance and heart attack and stroke insurance. Since 2022, ZA Life has continuously deepened the bancassurance partnership with ZA Bank and launched “ZA Savings Insurance” series in the ZA Bank App to provide basic protections for users’ health and wealth. During the reporting period, ZA Life achieved GWP of HK\$210 million.

PROPERTY RENTAL

For the six months ended 30 June 2024, total rental income amounted to HK\$80.3 million, representing an increase of 1.5% as compared to the same period of last year. At a post-COVID period since early 2023, the economy had not yet recovered as expected, and it is still a hard period for the property industry. We have lowered our unit rental to renew our existing tenants and to attract new tenants. This policy has been effectively and slightly improved our occupancy rate and rental income during the 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 the Louhu district in 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.

For the six months ended 30 June 2024, the occupancy rate of the office portion of *Sinolink Tower* was approximately 25.0%. Tenants are mainly engaged in jewelry, investment and real estate business.

O Hotel, the Group’s first hotel that is dedicated to delivering a personalized experience, has 188 rooms and suites, a trendy 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. At the post-COVID period, the occupancy rate increased progressively but still at a low level. The management has adopted measures for more stringent cost control and better services to improve the overall performance of the hotel.

Rockbund

Located in the Bund in Shanghai, *Rockbund* is an integrated property project jointly developed by the Group and The Rockefeller Group International, Inc. The project has a total site area of approximately 18,000 square meters with a GFA of approximately 105,000 square meters, and comprises of the repairs and operation of heritage buildings, and the construction of some new structures. The Group has proceeded 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 already commenced operation and have been leased out. The foundation of the new building structures have been completed, with structural works well under way. The entire project had commenced operations gradually since the completion of the construction in 2023.

On 30 April 2024, Shanghai Bund de Rockefeller Group Master Development Co., Ltd., (“SHRGMD”) an associated company of the Group and is principally engaged in the development of *Rockbund*, entered into a Sales and Purchase Agreement with ZhongAn Online (the “Buyer”), pursuant to which and subject to the terms and conditions therein, SHRGMD agreed to sell and the Buyer agreed to purchase two properties in *Rockbund* for a total consideration of RMB1,436.6 million.

The gross GFA of the two properties totaled 15,943.98 square meters, representing approximately 15% of the whole *Rockbund* project.

As at the reporting date, deposits of approximately RMB591.4 million had been received. The sale of one of the property is to be completed in the second half of 2024, while the other will be completed in 2025.

PROPERTIES UNDER DEVELOPMENT

As at 30 June 2024, the Group has the following properties under development:

Ningguo Mansions

Located in the Changnin District of Shanghai, Ningguo Mansions is a residential project currently in the construction and inspection phase. The project, with a total site area of 13,600 square metres and a plot ratio of 1.0, will be developed into 11 quadrangle courtyards 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 neighborhoods 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 is undergoing subsequent improvement and inspection. Later, appropriate operational arrangements will be made based on market demand and the actual conditions.

OTHER BUSINESSES

Other businesses within the Group include property, facility and project management services. For the six months ended 30 June 2024, the Group recorded a revenue of HK\$89.7 million from other businesses, representing a decrease of 1.6% as compared to the same period of last year.

MAJOR ASSOCIATE – ROCKFELLER GROUP ASIA PACIFIC, INC.

The Group's investment in Rockfeller Group Asia Pacific, Inc. ("RGAP") has recognised a net loss of HK\$6.3 million (six months ended 30 June 2023: HK\$7.8 million), representing current period fair value loss of HK\$28.9 million (six months ended 30 June 2023: HK\$77.6 million) and reversal of portion of share of loss of HK\$22.6 million (six months ended 30 June 2023: HK\$69.8 million), in respect of investment in RGAP being recognised in the profit or loss during the period.

A fair value loss of HK\$28.9 million (six months ended 30 June 2023: HK\$77.6 million) is recognised in current period's profit or loss stemming from loan receivable and amounts due from RGAP (which constituting as part of the total investment in RGAP).

According to Hong Kong Accounting Standard 28 “Investments in Associates”, when the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Accordingly, for the period ended 30 June 2024, the Group recorded reversal of share of loss of an associate, RGAP, of HK\$22.6 million (six months ended 30 June 2023: HK\$69.8 million), in respect of the *Rockbund* project.

LOAN RECEIVABLE FROM AN ASSOCIATE

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 recognised 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 of the Company 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 an associate represents an investment in the project of RGAP; hence this amount is not held within a business model whose objective is to collect contractual cash flows. The loan receivable from an associate is measured at fair value through profit or loss. The directors of the Company assessed the fair value of the loan an associate 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 2024, 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\$28.9 million (six months ended 30 June 2023: HK\$77.6 million) for the six months ended 30 June 2024.

SIGNIFICANT INVESTMENT

As at 30 June 2024, total equity instruments at fair value through other comprehensive income amounted to HK\$1,178.8 million (31 December 2023: HK\$1,574.6 million), mainly representing that of ZhongAn Online owned by the Group of approximately HK\$1,010.0 million (31 December 2023: HK\$1,445.0 million), which was measured at fair value at the end of this reporting period. As at 30 June 2024, the significant investment of the Group is as follows:

			Unrealised fair value (loss)/gain recognised in other comprehensive income for six months ended 30 June 2024	Realised fair value (loss)/gain recognised in other comprehensive income for the six months ended 30 June 2024	Dividends received for the six months ended 30 June 2024	Approximate percentage of the Group's total assets as at 30 June 2024	Cost of investment	Market value as at 30 June 2024
Number of shares* held as at 30 June 2024	Percentage of shareholding as at 30 June 2024		30 June 2024	30 June 2024	30 June 2024	30 June 2024		30 June 2024
	%		HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000
Hong Kong listed shares								
- ZhongAn Online (Stock code: 6060)	81,000,000	5.51	335.5	—	—	10.5	92,000	1,099,980

* The Group held 81,000,000 publicly-traded H shares of ZhongAn Online that subject to lock-up mechanisms of which 62,057,778 H shares of ZhongAn Online will expire in December 2024.

ZhongAn Online is an online Insurtech company, incorporated in the PRC with limited liability and is a joint stock company engaged in FinTech business, which provides internet insurance services, insurance information technology services and online banking services to customers.

The performance and prospects of the Group's significant investment during the year are detailed below:

During the six months ended 30 June 2024, the gross written premiums of ZhongAn Online was approximately RMB15,238 million, representing an increase of approximately 5.36% for the corresponding period in 2023; the net profit attributable to owners of the parent company was approximately RMB55 million, as compared to RMB221 million for the corresponding period in 2023.

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.

As the first internet-based Insurtech company in China, ZhongAn Online upheld the mission of “empowering the finance business with technologies and providing insurance services with a caring hand”. ZhongAn Online embraced the two-winged growth strategy of “Insurance + Technology”, and adhered to integrating technologies into the whole insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, ZhongAn Online focuses on the Internet life from the customer end through self-operated channels and over 300 platforms operated by its ecosystem partners, in order to meet the diversified protection demands of customers and create value for them. ZhongAn Online proved and upgraded its technology strength in the operation of its insurance business, and aims to enable the Internet insurance industry chain to export Insurtech and facilitate the digital transformation of the industry.

In the 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.

PROSPECTS

Global inflationary pressure is gradually recovering as the world economy gradually returns to stability and policy effects emerge. Inflation easing has allowed countries to shift away from monetary tightening. The United States is expected to have the opportunity to enter a rate-cutting cycle in the second half of 2024. The U.S. dollar is likely to weaken following the U.S. interest rate, and the RMB will rise relatively in the market outlook, which will provide China with greater room for policy stimulus and have a positive impact on the Chinese economy. Domestic residents’ income is expected to maintain steady growth, strongly supporting the improvement of residents’ consumption power. In addition, with the integrated development of urban and rural areas, the advancement of urbanization process and the continued upgrading of the consumption structure, consumption is expected to maintain good growth. However, the continued weakness in the real estate industry and external demand still brings uncertainties to consumption growth. China’s macroeconomic policy support is expected to continue to increase, thereby industrial upgrading is expected to continue to deepen. Overall, China’s economic recovery and long-term positive trend remain unchanged.

In particular, amidst the outbreak of the past COVID-19 pandemic, technology helped to change and improve our lifestyle by providing faster and more convenient services and experiences. We have 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 will 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 promote the Group's stable business development and bring long-term values for shareholders.

FINANCIAL REVIEW

During the six months ended 30 June 2024, total revenue of the Group was HK\$179.8 million (six months ended 30 June 2023: HK\$183.1 million), slightly decreasing by 1.8% as compared to the same period of last year. At a post-COVID period since early 2023, the economy had not yet recovered as expected, and it is still a hard period for the property industry. We have lowered our unit rental to renew our existing tenants and to attract new tenants. This policy has been effectively and slightly improved our occupancy rate and rental income during the period.

The Group recorded an other income of approximately HK\$49.2 million for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$49.8 million). The other income for the period was mainly contributed from the bank interest income from bank deposits and pledged bank deposits.

The total operating costs (including cost of sales, selling and administrative expenses) for the six months ended 30 June 2024 was approximately HK\$123.3 million (six months ended 30 June 2023: HK\$132.0 million), representing a decrease of approximately 6.6%. This was due to the cost control measures implemented by the Group on the overall operating expenses for the period.

The Group recorded an impairment loss on financial assets of approximately HK\$2.2 million (six months ended 30 June 2023: HK\$9.9 million). The decrease was due to certain impaired financial assets in 2023 had been transferred to RGAP, one of its investments accounted for using the equity method in the second half of 2023.

The Group recorded a fair value loss of the investment properties of approximately HK\$76.9 million (six months ended 30 June 2023: HK\$256.9 million), mainly contributed by the capital depreciation of our commercial property portfolio and car parks located in the PRC for rental.

The Group recognised finance costs of approximately HK\$49.6 million (six months ended 30 June 2023: HK\$32.9 million). The increase was mainly due to the increase in average bank borrowings and the increase in interest rate during the period.

The Group recorded loss attributable to the owners of the Company of HK\$150.5 million during the six months ended 30 June 2024, compared to approximately HK\$259.6 million for the six months ended 30 June 2023. This was mainly due to the various factors outlined above and the net effects of the following factors:

- (i) a decrease in a fair value loss of the investment properties by approximately HK\$180.0 million. The fair value loss for the six months ended 30 June 2024 was approximately HK\$76.9 million (six months ended 30 June 2023: HK\$256.9 million);
- (ii) an increase in net other losses/(gains) by approximately HK\$31.6 million as a result of net exchange losses arisen from the depreciation of RMB during the period;
- (iii) an increase in net fair value loss on other financial assets at fair value through profit or loss by approximately HK\$24.6 million. The fair value loss recognised for the six months ended 30 June 2024 was approximately HK\$38.7 million (six months ended 30 June 2023: HK\$14.1 million);
- (iv) an increase in share of loss of investments accounted for using the equity method by approximately HK\$48.9 million. The share of loss for the six months ended 30 June 2024 was approximately HK\$76.5 million (six months ended 30 June 2023: HK\$27.6 million); and
- (v) a gain on dilution of investments accounted for using the equity method of approximately HK\$56.4 million (six months ended 30 June 2023: nil).

The Group's total borrowings was HK\$1,684.3 million as at 30 June 2024 (31 December 2023: HK\$1,565.7 million). The borrowings of the Group are denominated in HK\$ or RMB and are interested at floating rate. The Group's borrowings are denominated as follows:

	30 June 2024	31 December 2023
	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(audited)</i>
HK\$	367.2	1,565.7
RMB	1,317.1	—
	<hr/>	<hr/>
Total	<u>1,684.3</u>	<u>1,565.7</u>

They were due for repayment within the following periods:

	30 June 2024 <i>HK\$'million</i> (<i>unaudited</i>)	31 December 2023 <i>HK\$'million</i> (<i>audited</i>)
Within 1 year	1,469.8	1,345.7
After 1 year but within 2 years	11.0	11.0
After 2 year but within 5 years	203.5	209.0
	<hr/>	<hr/>
Total	<u>1,684.3</u>	<u>1,565.7</u>

The management of the Group will continue to evaluate and closely monitor the borrowing portfolio and interest rate risks of the Group, and may consider taking appropriate measures to hedge material interest rate risks when necessary.

CHARGE OF ASSETS

As at 30 June 2024, pledged bank deposits of HK\$1,639.2 million (31 December 2023: HK\$1,651.9 million) and investment properties of HK\$427.2 million (31 December 2023: HK\$441.5 million) were pledged to banks to secure general banking facilities granted to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's gearing ratio, calculated on the basis of total borrowings over shareholders' equity, was 28.8% as compared with 25.2% as at 30 June 2023. The Group remained financially strong with a net cash position.

The Group's cash and bank balances (including bank deposits, pledged bank deposits, and cash and cash equivalents) amounted to HK\$2,763.3 million as at 30 June 2024 (31 December 2023: HK\$2,648.5 million), mostly denominated in RMB, HK\$ and USD. As at 30 June 2024, the Group has undrawn borrowing facilities of HK\$202.9 million (31 December 2023: HK\$152.8 million) which will expire within one year.

The Group funds its operations and capital commitments by internal resources, bank borrowings and can be further funded by the potential undrawn borrowing facilities.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Group operate in the PRC with most of the transactions in relation to operations are denominated and settled in RMB. Fluctuations of RMB exchange rates would impact the Group's net asset value in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2024, in respect of the Group's exposure to potential foreign exchange risks arising from the currency exchange rate fluctuations, it did not make any arrangement or use any financial instruments to hedge against potential foreign exchange risks. However, the management will continue to monitor foreign exchange risks and adopt hedging measures where necessary.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had commitments of HK\$31.9 million (31 December 2023: HK\$32.2 million) in respect of properties under development.

CONTINGENT LIABILITIES

As at 30 June 2024, guarantees offered to banks as security for the mortgage loans arranged for the Group's property buyers amounted to HK\$2.9 million (31 December 2023: HK\$3.0 million).

EVENTS AFTER THE REPORTING PERIOD

Convertible Bonds and Capital Reorganisation

The Company entered into a subscription agreement on 30 April 2024 (as amended and supplemented on 31 May 2024) (the "Subscription Agreement") with Mr. Ou Yaping, a controlling shareholder (the "Subscriber"), pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, or procure his nominee(s) to subscribe for the 0% coupon convertible bonds in the aggregate principal amount of HK\$200,000,000 issued by the Company (the "Convertible Bonds") subject to and upon the terms and conditions contained in the Subscription Agreement and the shareholders' approval as detailed in the Company's circular dated 11 June 2024 (the "Circular").

Capital reorganisation was proposed and implemented which involved the capital reduction, the capital diminution and the capital increase of the Company. Details of the capital reorganisation are set out in the Circular.

The Subscription Agreement, the capital reorganisation and issue of the Convertible Bonds were approved by the shareholders of the Company at a special general meeting held on 3 July 2024. The Convertible Bonds are convertible into the new shares of the Company (“Share(s)”) at an initial conversion price of HK\$0.085 per Share and may be converted at any time from the issue date up to the third anniversary date of issue of the relevant amount of the Convertible Bonds. On 12 July 2024, the Company issued, and Asia Pacific Promotion Limited (being the nominee of the Subscriber) subscribed for, the Convertible Bonds with an aggregate principal amount of HK\$200,000,000.

The maximum principal amount of the face value of the Convertible Bonds amounted to HK\$200,000,000. The Board considers that the issue of the Convertible Bonds is an appropriate means of raising additional fund since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

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 2024 (2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 625 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 2024.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange save as disclosed below.

Pursuant to code provision C.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 until his retirement at the conclusion of the annual general meeting held on 30 May 2024 (the “2024 AGM”). Mr. Tang Yui Man Francis has undertaken both the roles of the Chairman of the Board and the Chief Executive Officer of the Group after the conclusion of the 2024 AGM. The Board considers that vesting the roles of the chairman of the Board and the Chief Executive Officer in Mr. Tang Yui Man Francis is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. Therefore, having considered the current business operation and the size of the Group, the Board is of the view that Mr. Tang Yui Man Francis acting as both the Chairman of the Board and the Chief Executive Officer is acceptable and in the best interest of the Group. Given that there is a balanced Board with three independent non-executive Directors, who are experienced individuals, 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 C3 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 2024, 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 providing supervision over the Group’s financial reporting processes and internal controls. The Audit Committee comprises three independent non-executive Directors, namely Ms. Chen Hui, Mr. Tian Jin and Mr. Xin Luo Lin. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditor to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed and discussed the unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 which have been prepared in accordance with applicable standards, the Listing Rules and the statutory provisions and sufficient disclosure have been made. In addition, the Company’s external auditor, PricewaterhouseCoopers, has performed an independent review of the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's 2024 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board
SINOLINK WORLDWIDE HOLDINGS LIMITED
Tang Yui Man Francis
Chairman and Chief Executive Officer

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Tang Yui Man Francis (Chairman and Chief Executive Officer) as executive Director; Mr. Ou Jin Yao Norris and Mr. Ou Jin Yi Hugo as non-executive Directors; and Ms. Chen Hui, Mr. Tian Jin and Mr. Xin Luo Lin as independent non-executive Directors.