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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)

ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022

- Revenue decreased 12% to HK\$380.4 million
- Gross profit decreased 16% to HK\$226.9 million
- Loss attributable to owners of the Company amounted to HK\$143.4 million
- Basic loss per share amounted to HK2.25 cents

The board of directors (the “Board”) of Sinolink Worldwide Holdings Limited (the “Company”) announced the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue			
Interest income		25,587	22,994
Rental income		176,349	212,359
Other revenue from contracts with customers		178,445	196,873
		<hr/>	<hr/>
Total revenue	<i>3</i>	380,381	432,226
Cost of sales		(153,487)	(163,410)
		<hr/>	<hr/>
Gross profit		226,894	268,816
Other income	<i>4</i>	130,516	176,722
Selling expenses		(3,633)	(4,578)
Administrative expenses		(133,794)	(129,932)
Other (losses)/gains, net	<i>5</i>	(33,574)	14,138
Fair value (loss)/gain of investment properties	<i>11</i>	(11,472)	2,413
Net impairment loss on financial assets		(20,779)	—
Fair value (losses)/gains on other financial assets at fair value through profit or loss (“FVTPL”), net		(109,420)	142,256
Fair value loss on loan receivable from an associate at FVTPL and amounts due from associates at FVTPL	<i>14</i>	(202,171)	(210,082)
Gain on dilution of interests in an associate	<i>12</i>	183,629	309,159
Share of results of associates		(60,881)	(193,180)
Finance costs	<i>6</i>	(46,006)	(19,484)
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(Loss)/profit before taxation		(80,691)	356,248
Income tax expense	<i>8</i>	(39,080)	(110,931)
		<hr/>	<hr/>
(Loss)/profit for the year		(119,771)	245,317
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the year attributable to:			
Owners of the Company		(143,388)	190,711
Non-controlling interests		23,617	54,606
		<hr/>	<hr/>
		(119,771)	245,317
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share attributable to the Owners of the Company			
Basic	<i>10</i>	(2.25)	3.34
		<hr/> <hr/>	<hr/> <hr/>
Diluted	<i>10</i>	(2.25)	3.34
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000 <i>(Restated)</i> <i>(Note 2(c))</i>
(Loss)/profit for the year	<u>(119,771)</u>	<u>245,317</u>
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	(755,491)	263,742
Fair value losses on equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax	(240,618)	(615,071)
Share of exchange differences on translation from functional currency to presentation currency of associates	(2,000)	—
Share of fair value loss on equity instruments at FVTOCI of associates, net of tax	<u>(142,078)</u>	<u>(21,703)</u>
Other comprehensive expense for the year, net of tax	<u>(1,140,187)</u>	<u>(373,032)</u>
Total comprehensive expense for the year	<u><u>(1,259,958)</u></u>	<u><u>(127,715)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(1,130,095)	(107,277)
Non-controlling interests	<u>(129,863)</u>	<u>(20,438)</u>
	<u><u>(1,259,958)</u></u>	<u><u>(127,715)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000 <i>(Restated)</i> <i>(Note 2(c))</i>	As at 1 January 2021 HK\$'000 <i>(Restated)</i> <i>(Note 2(c))</i>
Non-current assets				
Property, plant and equipment		227,443	259,612	281,267
Investment properties	11	2,574,020	2,822,127	2,739,311
Interests in associates	12	1,796,739	1,292,944	840,956
Equity instruments at FVTOCI	13	1,883,175	2,377,470	3,118,765
Amounts due from associates at FVTPL	14	—	—	26,289
Loan receivable from an associate at FVTPL	14	—	—	7,311
Loans receivables	17	53,258	383,822	268,779
Finance lease receivables		—	1	767
Other financial assets at FVTPL	18	340,051	1,121,063	88,406
Pledged bank deposits		1,164,726	930,275	—
Bank deposits		693,729	176,039	124,449
Other receivables	16	231,618	158,399	158,399
Deferred tax assets		7,925	3,035	6,870
		8,972,684	9,524,787	7,661,569
Current assets				
Stock of properties	15	873,634	951,774	935,818
Trade and other receivables, deposits and prepayments	16	44,975	53,434	122,310
Loans receivables	17	458,629	167,703	121,601
Finance lease receivables		—	4	2,984
Other financial assets at FVTPL	18	8,573	28,347	355,647
Structured deposits		—	307,036	427,553
Bank deposits		—	21,743	89,911
Pledged bank deposits		—	—	846,038
Cash and cash equivalents		846,107	1,539,354	1,275,637
		2,231,918	3,069,395	4,177,499

		As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i> <i>(Restated)</i> <i>(Note 2(c))</i>	As at 1 January 2021 <i>HK\$'000</i> <i>(Restated)</i> <i>(Note 2(c))</i>
Current liabilities				
Trade payables, deposits received and accrued charges	19	428,281	455,249	468,915
Contract liabilities		9,966	9,133	10,242
Income tax payable		758,890	829,123	775,242
Borrowings	20	1,153,600	955,000	753,135
Lease liabilities		1,844	2,501	9,358
		<u>2,352,581</u>	<u>2,251,006</u>	<u>2,016,892</u>
Net current (liabilities)/assets		<u>(120,663)</u>	<u>818,389</u>	<u>2,160,607</u>
Total assets less current liabilities		<u>8,852,021</u>	<u>10,343,176</u>	<u>9,822,176</u>
Non-current liabilities				
Lease liabilities		7,274	—	2,391
Deferred tax liabilities		824,359	1,004,893	1,146,996
		<u>831,633</u>	<u>1,004,893</u>	<u>1,149,387</u>
Net assets		<u>8,020,388</u>	<u>9,338,283</u>	<u>8,672,789</u>
Capital and reserves				
Share capital	21	637,400	637,400	354,111
Reserves		6,026,901	7,156,996	6,754,353
Equity attributable to owners of the Company		<u>6,664,301</u>	<u>7,794,396</u>	<u>7,108,464</u>
Non-controlling interests		<u>1,356,087</u>	<u>1,543,887</u>	<u>1,564,325</u>
Total equity		<u>8,020,388</u>	<u>9,338,283</u>	<u>8,672,789</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, financing services and asset financing.

The consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved by the board (the “Board”) of directors (the “Directors”) on 22 March 2023.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments which are carried at fair value.

At 31 December 2022, the Group’s current liabilities exceeded its current assets by HK\$120,663,000.

As detailed in Note 20 “Borrowings” in this announcement, bank borrowings with carrying amount of HK\$1,153,600,000 were subject to a repayable on demand clause and were classified as current liabilities as at 31 December 2022.

In preparing the consolidated financial statements, the directors have taken into account all available information that could reasonably be expected and believe that it is not probable the banks would exercise their discretion right to demand immediate repayment of these borrowings and accordingly, loan principals of HK\$102,180,000 and HK\$1,051,420,000 would respectively be repaid within one year and within the first and the second years after the reporting period end based on the scheduled repayment dates set out in the loan agreements. Should the borrowings be classified according to the scheduled repayment dates, the current liabilities would decrease by HK\$1,051,420,000 and the current assets would exceed the current liabilities by HK\$930,757,000.

Furthermore, there were bank deposits of HK\$1,164,726,000 pledged against the above-mentioned borrowings and they were classified as non-current assets because the pledge is expected to be released upon the loans’ maturity date in 2024 and 2025 respectively.

Having considered the above conditions, the Group has sufficient financial resources, including unutilised banking facilities amounting to HK\$646,400,000 available to the Group as at 31 December 2022 (Note 20) to finance its operations and to satisfy its financial obligations as and when they fall due within at least the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements are prepared on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to standards or annual improvements for the first time for the annual reporting period commencing 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements project	Annual Improvements to HKFRSs 2018 – 2020 Cycle

The adoption of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

The following new standard, amendments to standards and interpretations are mandatory for accounting periods on or after 1 January 2023 or later periods but which the Group has not early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a material effect on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Restatement of prior year balances

As at 31 December 2021, the Group owned 81,000,000 H Shares of ZhongAn Online P&C Insurance Co., Ltd. (“ZhongAn Online”) (“ZhongAn Online H Shares”), a company listed on the Stock Exchange, within which 62,057,778 ZhongAn Online H Shares were subject to a lock-up mechanism. The Group accounts for this investment as an equity investment at fair value through other comprehensive income. The fair value of the shares subject to lock-up mechanism as at 31 December 2021 was deemed to be HK\$1,340,463,000, derived from the market value of the ZhongAn Online H Shares together with a discount on lack of marketability (“DLOM”), based on a valuation performed by an independent professional valuer, to reflect the lock-up restriction.

In preparing the consolidated financial statements for the year ended 31 December 2022 and after obtaining more information with respect to mechanism to deal with these ZhongAn Online H Shares, the directors of the Company revisited the lock-up restriction with reference to HKFRS 13 “Fair Value Measurement”. The directors believe that viewing the lock-up mechanism as a restriction on the Group better reflects the interpretation of the accounting standard. This change results in the directors measuring the fair value of such investment based on quoted bid prices of ZhongAn Online without any DLOM. This change arises from the change in the directors’ assessment of the factual circumstances and has been applied retrospectively.

The accumulated effects as a result of the restatements increased the Group’s net asset value as at 31 December 2021 and as at 1 January 2021 by HK\$251,491,000 (2.8% of the Group’s net assets value as at 31 December 2021) and HK\$442,412,000 (5.4% of the Group’s net assets value as at 1 January 2021) respectively, and decreased the Group’s other comprehensive income for year ended 31 December 2021 by HK\$190,921,000 (104.8% of the Group’s other comprehensive income for the year ended 31 December 2021). There is no impact to the Group’s profit for the year ended 31 December 2021. A summary of the accumulated effects of the restatements on the consolidated statement of financial position of the Group as at 31 December 2021 and 1 January 2021 and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2021 are presented below:

Impact to the consolidated statement of financial position as at 31 December 2021

	As at 31 December 2021		
	As previously stated	Restatement	As restated
	HK\$’000	HK\$’000	HK\$’000
Non-current assets			
Equity instruments at FVTOCI	2,042,146	335,324	2,377,470
Non-current liabilities			
Deferred tax liabilities	(921,060)	(83,833)	(1,004,893)
Equity			
Reserves	(6,955,804)	(201,192)	(7,156,996)
Non-controlling interests	(1,493,588)	(50,299)	(1,543,887)

Impact to the consolidated statement of financial position as at 1 January 2021

	As at 1 January 2021		
	As previously stated HK\$'000	Restatement HK\$'000	As restated HK\$'000
Non-current assets			
Equity instruments at FVTOCI	2,528,880	589,885	3,118,765
Non-current liabilities			
Deferred tax liabilities	(999,523)	(147,473)	(1,146,996)
Equity			
Reserves	(6,400,424)	(353,929)	(6,754,353)
Non-controlling interests	(1,475,842)	(88,483)	(1,564,325)
	<u> </u>	<u> </u>	<u> </u>

Impact to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	For the year ended 31 December 2021		
	As previously stated HK\$'000	Restatement HK\$'000	As restated HK\$'000
Profit for the year	<u>245,317</u>	<u>—</u>	<u>245,317</u>
Other comprehensive income			
Exchange differences arising from the translation to presentation currency	253,468	10,274	263,742
Changes in fair value of equity instruments at FVTOCI, net of tax	(413,876)	(201,195)	(615,071)
Share of fair value loss on equity instruments at FVTOCI of associates, net of tax	(21,703)	—	(21,703)
	<u> </u>	<u> </u>	<u> </u>
Other comprehensive expense for the year, net of tax	<u>(182,111)</u>	<u>(190,921)</u>	<u>(373,032)</u>
	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income/(expense) for the year	<u>63,206</u>	<u>(190,921)</u>	<u>(127,715)</u>

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

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 year is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised over time under HKFRS 15		
“Revenue from Contracts with Customers” (“HKFRS 15”)		
- Property management fee income	120,244	134,236
- Other service income	58,201	62,637
	<hr/>	<hr/>
Recognised under HKFRS 15	178,445	196,873
Recognised under other HKFRSs:		
- Rental income	176,349	212,359
- Interest income from financing services business	25,587	22,994
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	380,381	432,226
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All of the Group's revenue is generated from the People's Republic of China (the “PRC”) during the year ended 31 December 2022 and 2021.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2022

	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	120,244	—	—	—	120,244
Others	—	—	—	58,201	58,201
Revenue from contracts with customers	120,244	—	—	58,201	178,445
Rental income	—	176,349	—	—	176,349
Interest income from financing services business	—	—	25,587	—	25,587
Total revenue	120,244	176,349	25,587	58,201	380,381

For the year ended 31 December 2021

	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	134,236	—	—	—	134,236
Others	—	—	—	62,637	62,637
Revenue from contracts with customers	134,236	—	—	62,637	196,873
Rental income	—	212,359	—	—	212,359
Interest income from financing services business	—	—	22,994	—	22,994
Total revenue	134,236	212,359	22,994	62,637	432,226

(ii) *Performance obligations for contracts with customers*

Property management fee income

Under the terms of these contracts, the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs (i.e. services rendered by the Group under property management contracts with the customers with standard contract period up to twelve years (2021: twelve years)) and thus these income are recognised over time.

(b) Segment information

Management of the Group has determined the operating segments based on the internal reports reviewed by the Group's chief operating decision makers ("CODM"), being the executive directors 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)/profit before taxation incurred by each segment without allocation of other income, unallocated corporate expenses, unallocated other (losses)/gains, gain on dilution of interests in an associate, share of results of associates, fair value (losses)/gains on other financial assets at FVTPL, fair value loss on loan receivables from associates and amounts due from associates at FVTPL, finance costs.

For the year ended 31 December 2022

	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financing services <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	<u>—</u>	<u>120,244</u>	<u>176,349</u>	<u>25,587</u>	<u>322,180</u>	<u>58,201</u>	<u>380,381</u>
Result							
Segment results	<u>(1,301)</u>	<u>1,973</u>	<u>153,445</u>	<u>1,741</u>	<u>155,858</u>	<u>(6,596)</u>	<u>149,262</u>
Other income							130,516
Unallocated corporate expenses							(85,718)
Unallocated other gains and losses							(39,902)
Gain on dilution of interests in an associate							183,629
Fair value loss on other financial assets at FVTPL							(109,420)
Fair value loss on loan receivable from an associate at FVTPL and amounts due from associates at FVTPL							(202,171)
Share of results of associates							(60,881)
Finance costs							(46,006)
Loss before taxation							<u>(80,691)</u>

For the year ended 31 December 2021

	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Financing services <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	<u>—</u>	<u>134,236</u>	<u>212,359</u>	<u>22,994</u>	<u>369,589</u>	<u>62,637</u>	<u>432,226</u>
Result							
Segment results	<u>(1,156)</u>	<u>5,919</u>	<u>179,729</u>	<u>34,922</u>	<u>219,414</u>	<u>(9,111)</u>	210,303
Other income							176,722
Unallocated corporate expenses							(51,532)
Unallocated other gains and losses							(7,914)
Gain on dilution of interests in an associate							309,159
Fair value gain on other financial assets at FVTPL							142,256
Fair value loss on loan receivable from an associate at FVTPL and amounts due from associates at FVTPL							(210,082)
Share of results of associates							(193,180)
Finance costs							(19,484)
Profit before taxation							<u>356,248</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.

4 OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends from financial assets at FVTPL	6,828	92,818
Interest income on bank deposits	29,733	35,615
Interest income on pledged bank deposits	35,452	12,010
Interest income on structured deposits	8,365	24,363
Interest income on other financial assets at FVTPL	47,971	4,993
Others	2,167	6,923
	<u>130,516</u>	<u>176,722</u>

5 OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net loss on disposal of property, plant and equipment	(563)	—
Net exchange (losses)/gains	(33,191)	182
Net reversal of impairment losses under ECL model		
- Loans receivables	—	2,743
- Finance lease receivables	—	81
- Trade receivables	—	11,132
	<u>(33,754)</u>	<u>14,138</u>

6 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on borrowings	44,016	17,362
Interest on lease liabilities	424	412
Interest on deposits received for rental	1,566	1,710
	<u>46,006</u>	<u>19,484</u>

7 EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff cost	142,866	149,607
Depreciation on property, plant and equipment and rights-of-use assets	25,947	32,590
Legal and professional fee	25,149	16,864
Repair and maintenance	17,810	20,424
Utilities	17,227	19,631
Cleaning charges	13,168	15,231
Sundry expenses	9,505	11,338
Bank charges	6,592	4,985
Auditor's remuneration		
- Audit services	4,150	2,800
- Non-audit services	630	2,075
Expenses relating to short-term leases and leases of low-value assets	4,297	1,188
Others	23,573	21,187
	<hr/>	<hr/>
Total cost of sales, selling and administrative expenses	290,914	297,920

8 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
- PRC Corporate Income Tax	54,656	74,427
- PRC Withholding Tax	12,225	—
Deferred income tax	(27,801)	36,504
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	39,080	110,931

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% (2021: 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.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

PRC withholding 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 year ended 31 December 2022 (2021: 16.5%). Hong Kong profits tax has not been provided as the Group did not have any assessable profits for both years.

9 DIVIDENDS

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

10 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(143,388)</u>	<u>190,711</u>
	2022	2021
Weighted average number of ordinary shares in issue	<u>6,374,003,096</u>	<u>5,717,975,563</u>
	2022	2021
Basic (loss)/earnings per share (HK\$ cents)	<u>(2.25)</u>	<u>3.34</u>

(b) Diluted

Diluted (loss)/earnings 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 year ended 31 December 2022, the Group has two categories of potentially dilutive shares: share options issued by the Company and an associated company – ZhongAn Technologies International Group Limited (“ZhongAn International”) (2021: share options issued by the Company and an associated company – ZhongAn International).

The computation of diluted (loss)/earnings per share for both years have not assumed the exercise of the Company’s share options as the exercise price was higher than the average market price of the Company’s share during the years. The exercise of the outstanding share options in ZhongAn International would have an anti-dilutive impact as the loss for the year attributable to the owners of the Company will decrease.

11 INVESTMENT PROPERTIES

The Group leases out various offices, retail premises and car parks located in the PRC under operating leases with rentals payable monthly. The leases typically run for an initial period of one to twelve years. The leases of retail stores contain variable lease payment that are based on 2.5% to 25% (2021: 2.5% to 25%) sales and minimum annual lease payment that are fixed over the lease term.

The lease contracts do not contain residual value guarantee or lessee's option to purchase the property at the end of lease term.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount	2,822,127	2,739,311
Fair value change on investment properties	(11,472)	2,413
Exchange realignment	(236,635)	80,403
	<u>2,574,020</u>	<u>2,822,127</u>

The Group measures its completed investment properties at fair value at 31 December 2022 and 2021, 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.

12 INTEREST IN ASSOCIATES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of unlisted interests in associates	2,516,232	1,843,989
Share of post-acquisition results and gain on dilution of interests in an associate	(719,493)	(551,045)
	<u>1,796,739</u>	<u>1,292,944</u>

ZhongAn International and its subsidiaries (collectively known as “ZhongAn International Group”)

In November 2021, the Group has further subscribed for 74,212,258 ordinary shares of ZhongAn International for HK\$381,580,000 in cash. Furthermore, in November 2021, ZhongAn International has issued new shares to ZhongAn Information Technology Services Co., Limited (“ZhongAn Technology”), another shareholder of ZhongAn International, and two independent third parties during the year ended 31 December 2021 and thus, the Group’s equity interests in ZhongAn International decreased from 49% to 43.21% as at 31 December 2021. The dilution of the interests in ZhongAn International resulted in a gain of approximately HK\$309,159,000, 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 profit or loss during the year ended 31 December 2021.

In March 2022, ZhongAn International has issued 105,088,530 shares to the other shareholder of ZhongAn International, and thus, the Group’s equity interests in ZhongAn International further decreased from 43.21% to 41.50%. The dilution of the interests in ZhongAn International resulted in a gain of approximately HK\$183,629,000, 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 consolidated statement of profit or loss during the year ended 31 December 2022.

In September 2022, the Group entered into the Share Purchase Agreement pursuant to which, the Group agreed to subscribe for 156,060,606 new ordinary shares of ZhongAn International for a total subscription price of USD103.0 million (equivalent to HK\$806.5 million) payable in cash (the “Additional Subscription”). The Additional Subscription was completed on 14 September 2022. Thus, the Group’s equity interests in ZhongAn International increased from 41.5% to 44.75%.

During the year ended 31 December 2022, ZhongAn International redeemed the entire redeemable preference shares from the Group for HK\$590,323,000 in cash.

13 EQUITY INSTRUMENTS AT FVTOCI

	As at 31 December 2022 HK\$’000	As at 31 December 2021 HK\$’000 (Restated) (Note 2(c))	As at 1 January 2021 HK\$’000 (Restated) (Note 2(c))
Equity securities of ZhongAn Online, at fair value (Note (i))	1,741,500	2,187,320	2,924,506
Equity securities of an entity listed in Hong Kong, at fair value	62,730	65,300	89,313
Unlisted equity securities in Hong Kong, the PRC and overseas, at fair value	71,226	111,801	91,529
Unlisted fund investments in the PRC and overseas, at fair value	7,719	13,049	13,147
Total (Note (ii))	<u>1,883,175</u>	<u>2,377,470</u>	<u>3,118,765</u>

Notes:

- (i) The Group held 81,000,000 the publicly-traded ordinary share capital of ZhongAn Online H Shares that subject to lock-up mechanisms. As at 31 December 2022, the lock-up of 62,057,778 (31 December 2021: 62,057,778) (1 January 2021: 81,000,000) ZhongAn Online H Shares will be expired in December 2024. The fair value of investment in ZhongAn Online as at 31 December 2022 and 31 December 2021 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.

14 LOAN RECEIVABLE FROM AN ASSOCIATE AT FVTPL/AMOUNTS DUE FROM ASSOCIATES AT FVTPL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivable from an associate and amounts due from associates at FVTPL	516,339	704,082
Less: Share of loss and other comprehensive expenses of associates in excess of cost of investment	<u>(516,339)</u>	<u>(704,082)</u>
	<u>—</u>	<u>—</u>

Rockerfeller Group Asia Pacific, Inc. (“RGAP”) and its subsidiaries (“RGAP Group”) 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 31 December 2022 and 2021, 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 represent 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.

A fair value loss of HK\$202,171,000 (2021: HK\$210,082,000) is recognised in profit or loss during the year ended 31 December 2022. The Group limits the recognition of the RGAP Group's losses to HK\$516,339,000 as at 31 December 2022 (2021: HK\$ 704,082,000) as the carrying amount of its net investment in RGAP is then zero, the Group reversed the share of loss of RGAP Group recognised in previous years of HK\$187,743,000 during the year ended 31 December 2022 (2021: HK\$153,838,000). Accordingly, the Group has net loss of HK\$14,428,000 (2021: HK\$56,244,000) (representing the fair value loss of HK\$202,171,000 (2021: HK\$210,082,000) and reversal of share of loss of HK\$187,743,000 (2021: HK\$153,838,000)) in respect of investment in RGAP being recognised in the profit or loss during the year ended 31 December 2022.

15 STOCK OF PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Properties under development	<u>873,634</u>	<u>951,774</u>

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

At 31 December 2022 and 2021, no properties under development were pledged as securities for the Group's borrowing.

16 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from property management and property investment business, net	7,602	4,729
Less: loss allowance	<u>—</u>	<u>—</u>
Total trade receivables, net	7,602	4,729
Interest receivables from bank deposits	70,122	17,111
Other receivables, deposits and prepayments	40,470	31,594
Tax reserve certificate	158,399	158,399
	276,593	211,833
Non-current	231,618	158,399
Current	44,975	53,434
	276,593	211,833

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aged:		
0 to 60 days	5,466	3,348
61 to 180 days	1,052	1,186
Over 181 days	1,084	195
	7,602	4,729

Management of the Group closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

As at 31 December 2022, trade receivables from property management and property investment of HK\$2,136,000 (2021: HK\$1,381,000) are past due. Management of the Group considers that the ECL for trade receivables from property management and property investment business is insignificant as the debtors have good settlement history as at 31 December 2022 and 2021.

17 LOANS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loans receivables (Note)	541,852	562,236
Less: loss allowance	(29,965)	(10,711)
	<hr/>	<hr/>
Total	511,887	551,525
	<hr/> <hr/>	<hr/> <hr/>
The loan receivables analysed as follows:		
Non-current	53,258	383,822
Current	458,629	167,703
	<hr/>	<hr/>
Total	511,887	551,525
	<hr/> <hr/>	<hr/> <hr/>

Note:

Loans receivables to independent third parties are unsecured, carried at fixed interest rate ranged from 4.0% to 7.0% (2021: 4.0% to 7.0%) per annum and will be matured in 2023 to 2024 (2021: 2022 to 2023).

18 OTHER FINANCIAL ASSETS AT FVTPL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity securities listed in Hong Kong	3,304	6,728
Equity securities listed in the PRC	5,269	21,619
Equity securities listed in the overseas	7,151	22,255
Investments in Redeemable Preference Shares (Note (i))	—	633,473
Unlisted fund investments in the PRC	218,119	320,981
Unlisted fund investments in the overseas	114,781	144,354
	<u>348,624</u>	<u>1,149,410</u>
Other financial assets analysed as follows:		
Non-current	340,051	1,121,063
Current	8,573	28,347
	<u>348,624</u>	<u>1,149,410</u>

Notes:

- (i) The Group has subscribed 500,000,000 redeemable preference shares of ZhongAn International (“Redeemable Preference Shares”) at a consideration of RMB500,000,000 (equivalent to HK\$600,197,000) during the year ended 31 December 2021. ZhongAn International has the right to redeem from the Group all or any portion of Redeemable Preference Shares within 5 years from the date of the issuance of Redeemable Preference Shares. The Group did not have any voting rights from Redeemable Preference Shares and did not have any right to receive dividend from ZhongAn International. In the event of liquidation of ZhongAn International, the Group ranks in priority to other classes of shares in ZhongAn International. As the rights and obligations of the ownership over Redeemable Preference Shares is different from the ownership of ordinary shares of ZhongAn International which the Group accounted for as interests in associates, the Group’s investment in Redeemable Preference Shares is accordance with HKFRS 9 and measured at FVTPL. During the year ended 31 December 2022, ZhongAn International redeemed the entire Redeemable Preference Shares from the Group for HK\$590,323,000 in cash.

19 TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	30,182	33,387
Accruals for construction work	161,637	176,457
Deposits received for rental	37,094	38,660
Advance lease payments	11,694	13,837
Deposits received for management fee	42,799	47,097
Other tax payables	16,964	18,520
Salaries payable and staff welfare payables	52,608	58,589
Other payables and accrued charges	75,303	68,702
	<u>428,281</u>	<u>455,249</u>

The following is an aged analysis of trade payables (including amounts due to related parties of trading in nature), based on the invoice date, at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aged:		
0 to 90 days	4,543	5,237
91 to 180 days	1,018	1,621
181 to 360 days	1,736	201
Over 360 days	22,885	26,328
	<u>30,182</u>	<u>33,387</u>

20 BORROWINGS

	2022	2021
	HK\$'000	<i>HK\$'000</i>
Bank borrowings – secured and repayable on demand	1,153,600	955,000
	Bank borrowings	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
Carrying amounts of borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	102,180	65,400
Within a period of more than one year but not exceeding two years	1,051,420	85,900
Within a period of more than two years but not exceeding five years	—	803,700
	1,153,600	955,000
Less: Amount classified as current liabilities	(1,153,600)	(955,000)
Amount due after one year and classified as non-current liabilities	—	—

As at 31 December 2022, bank borrowings of HK\$1,153,600,000 (2021: HK\$995,000,000) carried interest at benchmark interest rate as stipulated by Hong Kong Interbank Offered Rate (“HIBOR”) plus a certain percentage.

The interest rates as at the end of the reporting period for the loans range from 4.87% to 7.42% (2021: 1.75% to 2.80%) per annum.

At 31 December 2022, pledged bank deposits of HK\$1,164,726,000 (31 December 2021: HK\$930,275,000) and investment properties of HK\$516,237,000 (31 December 2021: HK\$563,570,000) were pledged to banks to secure general banking facilities granted to the Group.

As at 31 December 2022 and 2021, the Group has the following undrawn borrowing facilities:

	2022	2021
	HK\$'000	<i>HK\$'000</i>
Expiring within one year	646,400	845,000

21 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
As at 1 January 2021	6,000,000,000	600,000
Increase in authorised share capital (Note (i))	9,000,000,000	900,000
As at 31 December 2021 and 31 December 2022	<u>15,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid:		
As at 1 January 2021	3,541,112,832	354,111
Issues new shares upon rights issue (Note (ii))	2,832,890,264	283,289
As at 31 December 2021 and 31 December 2022	<u>6,374,003,096</u>	<u>637,400</u>

Notes:

- (i) On 8 March 2021, the authorised share capital of the Company was increased from HK\$600,000,000 divided into 6,000,000,000 shares of HK\$0.10 each to HK\$1,500,000,000 divided into 15,000,000,000 shares by creation of an additional 9,000,000,000 shares.
- (ii) On 15 April 2021, 2,832,890,264 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.28 per share. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back to 2022, the world economy suffered unprecedented impact for over 40 years, such as high inflation, aggressive interest rate hikes across the world, war in Ukraine as well as the economic challenges in China, leading to great interruption to the global market.

To combat inflation, the Federal Reserve raised interest rate for seven times in 2022. In December last year, the Federal Reserve raised the target range for the fed funds rate by 50bps to 4.25%-4.5%. The latest 30-year mortgage interest rate in U.S. broke 7%, which was only 3.25% as at the beginning of 2022 and which has resulted in the lowest level of affordability of housing since 2007. According to the data published by the U.S. Department of Labour in 12 January 2023, the Consumer Price Index (CPI) in December 2022 in U.S. recorded a year-on-year increase of 6.5%, and the growth rate has been falling for six consecutive months. The war on inflation in the U.S. is still on-going.

In 2022, China's GDP of the full year recorded RMB121 trillion, increased by 3.0% as compared with last year. With regard to GDP by industry, the value added of the primary industry amounted to RMB8,834.5 billion, representing an increase of 4.1% as compared with last year; the value added of the secondary industry was RMB48,316.4 billion, representing an increase of 3.8%; the value added of the tertiary industry was RMB63,869.8 billion, representing an increase of 2.3%. With regard to GDP by quarter, the GDP in the first quarter increased by 4.8%, the second quarter increased by 0.4%, the third quarter increased by 3.9% and the fourth quarter increased by 2.9%. With regard to GDP by month, the GDP of the fourth quarter maintained at the same level with the third quarter. The per capita disposable income of residents for the year amounted to RMB36,883, representing a nominal growth of 5.0% as compared with last year and a real growth of 2.9% after deducting price factor, which was basically same with the economic growth.

In 2022, China adopted the strict dynamic zero-Covid policy for epidemic control, which resulted in the shutdown of many factories and enterprises, causing severe interruption to the production and consumption. Except that China's GDP grew at only 2.2% for the whole year in 2020 when the epidemic started, the economic growth in 2022 recorded the weakest performance since 1976, demonstrating the heavy impact of zero-Covid policy and property crash on the China's economy.

As at the end of 2022, China abolished the strict dynamic zero-Covid policy which has caused severe impact on the China's economic activities. With the advance of the re-opening, the economic growth will reach to the bottom in the fourth quarter of 2022 and the first quarter of 2023. In 2023, the pickup in capacity utilization in the service sector is expected to drive economic growth. As the demand increases, the spare capacity in various service sectors from transportation (airlines, subways, highways) to retail wholesale, logistics is likely to recover to the normal level from the current depressed status (most operating at lower than 50% of the pre-epidemic levels), which, however, may be offset by the ongoing weakness in the real estate sector and the slowdown of exports. Recently, many policies have been put in place to help developers to refinance, with a view to enable them to continue property development. While the sales of properties has not been boosted by those measures, it is likely bottom out in 2023 with the decrease of mortgage rate and the rise of stability in economy due to the abolishment of the zero-Covid policy by the government.

The Group has been actively responding to the Chinese government's and the Hong Kong SAR government's continued approach to promote financial technology ("Fintech") development, and made great efforts in exploring the methodology of enhancing its business model and creating value for the Group. While maintaining its 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 year ended 31 December 2022, the Group's revenue was HK\$380.4 million, decreasing by 12% as compared to last year. Gross profit was HK\$226.9 million, decreasing by 16% as compared to last year. The Company recorded loss attributable to the owners of the Company of HK\$143.4 million during the year, comparing to a profit attributable to the owners of the Company of HK\$190.7 million to last year. Basic loss per share amounted to HK\$2.25 cents, as compared to a basic earnings per share of HK\$3.34 cents to last year.

PROPERTY RENTAL

For the year ended 31 December 2022, total rental income amounted to HK\$176.3 million, representing a decrease of 17% as compared to last year. Shenzhen had experienced a week lock-down period in March 2022. The entire Shenzhen city including bus and subway systems were shut, along with business providing non-essential services. Due to the outbreak of the post COVID-19 pandemic, rental income recorded from investment properties dropped due to rent concession granted to tenants during the year with an aim to help them to overcome the challenging situation.

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 Luohu 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 year ended 31 December 2022, the occupancy rate of the office portion of *Sinolink Tower* was approximately 32%. Tenants are mainly engaged in jewelry, investment and real estate business.

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

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2022, the Group has the following properties under development:

1. 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 18,000 square meters with a GFA of 94,080 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 is expected to commence operation gradually upon completion of the construction in 2023.

2. 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.

FINANCING SERVICES BUSINESS

Financing services business are 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.

For the year ended 31 December 2022, the interest income from financing services business amounted to HK\$25.6 million (2021: HK\$23.0 million) which mainly comprised interest income from receivable-based lending services of Nil (2021: HK\$3.0 million), interest income from entrusted loans of HK\$7.2 million (2021: HK\$5.0 million), interest income from other loans of HK\$18.4 million (2021: HK\$15.0 million) and interest income from finance leases receivables of Nil (2021: HK\$0.01 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 is pledged to the Group to obtain a short term borrowings. The legal title of the receivables has not changed. Business factoring services is 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》^{*}). During the year ended 31 December 2021, the Group provided receivables-based lending services to one customer for its trade receivables and interest rate was fixed at 5.5% per annum. The receivables-based lending was guaranteed with terms less than 3 months. The Group did not provide any receivables-based lending services in 2022.

* For identification purpose only

The Group has provided entrusted loans to certain PRC customers. Entrusted loans are loans made by to the customers, using a licensed bank as a servicing agent. The Group will pay to 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)*. The entrusted loans are unsecured, interest rates are fixed at 5.0% per annum with terms of 1 to 2 years.

The Group had loan receivables provided to independent third parties. During the years ended 31 December 2022 and 2021, the major loan receivables is provided to an independent third party with principal of RMB220,000,000, unsecured, interest rate at 6% per annum and the loan will be expired in September 2023.

The Group has 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》*). Interest rates are fixed and ranged from 5.5% to 10.0% per annum and terms of leases are ranged from 6 months to 5 years.

As at 31 December 2022, loan receivables to independent third parties are unsecured, carried at fixed interest rate ranged from 4.0% to 7.0% (31 December 2021: 4.0% to 7.0%) per annum and will be matured in 2023 to 2024 (31 December 2021: 2022 to 2023). Due to the impacts on various sectors from the outbreak of the COVID-19 pandemic and the delay in resumption of work and production of the enterprises, we made continuous efforts to enhance risk management of the financial leasing and factoring business.

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. The scope of business of AA Investment encompasses a fully digitalised investment fund dealing and discretionary portfolio management services to retail clients via mobile application. In 2022, AA Investment expanded its investment fund distribution services to financial institution, enabling them to provide investment fund distribution for its retail clients. The company continues to seek break-through in different areas, including exploring new financial products and new business collaboration. We have been considering extend the services by providing Hong Kong stock trading services. We are confident that our proactive business strategy will enable us to become a leader in the industry.

* For identification purpose only

During the year, as AA Investment is still at the initial stage of operation, no income is generated (2021: Nil).

We believe that there are new opportunities within the challenges arising from the COVID-19 pandemic. Although the clients affected by the pandemic are faced with increasing liquidity risks in the short term, which may impose downward pressure on the Group's asset quality and in turn impact its shortterm 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.

OTHER BUSINESSES

Other businesses within the Group include property, facility and project management services. For the year ended 31 December 2022, the Group recorded a revenue of HK\$178.4 million from other businesses, representing an increase of 9% for the year.

JOINT VENTURE – ZHONGAN INTERNATIONAL

The Company entered into the joint venture agreement with ZhongAn Information and Technology Services Co., Ltd. (“ZhongAn Technology”), a wholly-owned subsidiary of ZhongAn Online, pursuant to which the Company and ZhongAn Technology agreed to jointly invest in ZhongAn International to enable the Company to partner with ZhongAn Technology to explore international business development, collaboration and investment opportunities in the areas of FinTech and Insurtech in overseas markets. Pursuant to the Joint Venture Agreement dated 8 December 2017, the Company and ZhongAn Technology owned 49% and 51% of the voting interest in ZhongAn International, respectively.

On 29 April 2021, the Company entered into the subscription agreement with ZhongAn Technology and ZhongAn International, pursuant to which the Company conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to allot and issue, an aggregate of 500 million new redeemable preference shares of ZhongAn International for a total subscription price of RMB500 million (equivalent to approximately HK\$600.2 million) in cash (“Subscription Agreement”). Details of which are set out in the circular dated 9 August 2021. The Subscription Agreement was completed on 3 May 2021. During the year ended 31 December 2022, all the redeemable preference shares of HK\$590.3 million has been fully redeemed.

On 27 October 2021, the Company entered into the Share Purchase Agreement with ZhongAn Technology, ZhongAn International, Warrior Treasure Limited (“Warrior”) and AIA VCC for a/c of AIA Opportunities Fund - Venture Capital 2021 (“Opportunities Fund”), pursuant to which, among other things, the Company has conditionally agreed to subscribe for 74,212,258 new ZhongAn International Ordinary Shares for a subscription price of approximately US\$49 million (equivalent to approximately HK\$381.2 million). The dilution of the interests in ZhongAn International resulted in a gain of approximately HK\$309.2 million in 2021, 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 profit or loss during the year ended 31 December 2021. All investors have conducted closing on 23 November 2021. ZhongAn Technology, the Company, Warrior and Opportunities Fund hold approximately 45.15%, approximately 43.21%, approximately 8.67% and approximately 2.97% voting interests of the joint venture, respectively.

On 2 March 2022, ZhongAn Technology further subscribed for 105,088,530 new ZhongAn International Ordinary Shares. The dilution of the interests in ZhongAn International resulted in a gain of approximately HK\$183.6 million, 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 profit or loss during the year ended 31 December 2022. Upon the completion of subscription, ZhongAn Technology, the Company, Warrior and Opportunities Fund hold approximately 47.32%, approximately 41.50%, approximately 8.33% and approximately 2.85% voting interests of the joint venture, respectively.

On 2 September 2022, the Company further subscribed for 156,060,606 new ZhongAn International Ordinary Shares. Details of which are set out in the announcement dated 2 September 2022 and the circular dated 29 December 2022. The subscription has conducted closing on 14 September 2022. Upon closing, ZhongAn Technology, the Company, Warrior and Opportunities Fund hold approximately 44.70%, approximately 44.75%, approximately 7.86% and approximately 2.69% voting interests of the joint venture, respectively.

ZhongAn International and its subsidiaries provide technology developments and technology consulting services to customers; virtual banking services to its customers and insurance business.

As at 31 December 2022, carrying amount of the Group’s interest in ZhongAn International amounted to approximately HK\$1,568.6 million (31 December 2021: HK\$1,069.1 million), representing 14.0% (31 December 2021: 8.5%) of the Group’s total assets. As at 31 December 2022, the Company held 1,259,272,864 ZhongAn International Ordinary Shares and the voting interest in ZhongAn International was 44.75% (31 December 2021: 43.21%). The original cost is approximately HK\$2,344.7 million. For the year ended 31 December 2022, there was no dividend received from ZhongAn International.

Business Review and Outlook

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

Through provision of additional funds to ZhongAn International, it will continue to establish and improve its target-oriented team management system, cultivate key talents and expand new business. In addition, ZhongAn International will continue to leverage on the advantage of Hong Kong as an international city to establish a stronghold in Hong Kong. ZhongAn International will continue to leverage synergies of its brands to further upgrade user experience and create more values for users in terms of digital financial and wealth management experience in the future, and continue to assist Hong Kong in developing FinTech, promoting inclusive finance.

While making strenuous efforts to exploit markets in Hong Kong, Japan, Southeast Asia and Europe, the Company believes that ZhongAn International will explore business opportunities in other countries and regions across the globe, seek for more ecosystem partners and continue to export Insurtech solutions and provide integrated financial services.

As of 31 December 2022, the Group's share of loss of ZhongAn International was HK\$252.9 million (2021: share of loss of HK\$353.5 million), which was mainly attributable to the preliminary development, manpower and business expansion costs incurred by ZhongAn International.

ZA Bank Limited (“ZA Bank”)

ZhongAn International actively participates in FinTech innovation in Hong Kong, and ZA Bank became one of the first banks in Hong Kong to be granted a virtual banking license on 27 March 2019. On 24 March 2020, ZA Bank officially became the first virtual bank in Hong Kong. ZA Bank stood out in the highly competitive Hong Kong market with its smooth user experience, rapid iteration and comprehensive product matrix within only three years since its official opening. It has become the local virtual bank with the most complete product line at present, offering 24/7 digital financial services, including deposit, loan, transfer, foreign exchange, consumption, insurance, investment and commercial banking, to cater for the wide range of financial demands of its users and provide Hong Kong residents and Mainland visitors to Hong Kong with breakthrough banking products and services.

ZA Bank has always adhered to the concept of innovation and integrity, and users first (創新守正、用戶為先). With its innovative and safe products and services, ZA Bank has injected new vitality into the digital development of Hong Kong’s financial industry. The vision of ZA Bank is to become a bank that provides a one-stop digital platform for personal comprehensive financial management, and step forward with the public to the new era of “Banking 2.0”.

As of 31 December 2022, ZA Bank has won the trust and support from over 650,000 retail users. The balance of deposits reached over HK\$9.1 billion, and the balance of loans reached over HK\$4.8 billion.

At the beginning of 2022, ZA Bank has become the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the SFC and formally launched fund investment services in August 2022. In just 4 months, nearly 100 Hong Kong dollar and US dollar fund products have been successfully introduced in partnership with many top global fund companies.

In April 2022, ZA Bank launched a bancassurance business cooperation with Generali Life (Hong Kong) Limited (“Generali Hong Kong”), creating the solely new O2O bancassurance model in Hong Kong. This cooperation was the first partnership in Hong Kong formed by an internationally renowned insurance company and a leading virtual bank in Hong Kong, combining the century-old expertise of Generali Hong Kong and fintech advantages of ZA Bank, with the common goal of providing quality and innovative financial products to allow customers to manage their personal finance and protection more flexibly and independently. Generali Hong Kong has launched life insurance products on the ZA Bank App. In the first phase of the partnership, five comprehensive life products have been offered, including critical illness, savings, retirement, qualified deferred annuity policies and premium-rebate life plans.

In November 2022, ZA Bank announced a cooperation with Wise, a global technology company, to provide Hong Kong people with cheap and fast international remittance services. The cooperation marks two “firsts”: ZA Bank becomes the first bank in Hong Kong to offer international remittance services with zero exchange rate mark-ups or hidden fees, and ZA Bank becomes the first emerging bank to cooperate with Wise Platform in East Asia.

In December 2022, ZA Bank launched a zero-fee currency exchange service to serve users around the clock with a 24-hour foreign exchange trading platform.

In terms of commercial banking business, ZA Bank commenced sandbox trial, an express online business account opening service, in December 2022, and invited 100 small and medium-sized enterprises in Hong Kong to participate, promising to use digital advantages to solve business pain points for small and medium-sized enterprises. During the epidemic, small and medium-sized enterprises in Hong Kong generally faced the challenge of financing difficulties, making opening a company account the key to obtaining sufficient loans in a timely manner. The express online account opening service aims to help ZA Bank fill the financial needs of small and medium-sized enterprises, and lead the market through one-stop online banking services.

ZA Life Limited (“ZA Life”)

In May 2020, ZA Life, the joint venture between ZhongAn International and Fubon Life Insurance (Hong Kong) Company Limited, obtained a digital-only insurer license from the Hong Kong Insurance Authority under its Fast Track pilot scheme. Under the business name of ZA Insure, it has launched a variety of basic life and medical insurance.

As the only fintech company in Hong Kong with both a virtual banking licence and a digital-only insurer licence, ZhongAn International will continue to leverage its advantage of dual licences to create the first fully digital bancassurance for users in Hong Kong through the ZA Bank App. Users can get insurance products provided by ZA Insure in the ZA Bank App in as fast as 3 minutes.

Strictly adhering to its mission to provide protection for customers, ZA Insure provides local residents with insurance products and services that “everyone can afford” through a 24/7 online platform, including life insurance, voluntary medical insurance, cancer insurance, accident insurance and cardiovascular disease insurance. In 2022, ZA Insure also launched “ZA Savings Insurance” through ZA Bank App to provide fundamental protections for users’ health and wealth.

ZA Tech Global Limited (“ZA Tech”)

ZhongAn International, in collaboration with SoftBank Vision Fund Phase 1, established ZA Tech to export ZhongAn’s cutting-edge technology solutions to overseas markets. With headquarter in Singapore, ZA Tech focuses on providing comprehensive innovative digital solutions to insurance companies and Internet companies, redefining the insurance value chain and Internet ecology with technology.

ZA Tech has made outstanding achievements in the field of Insurtech in many Asian markets, with footprints in Japan, Singapore, Thailand and other Asian markets. In 2021, we further expanded the territory of Insurtech to Europe, and we have completed the launch of our first customer product.

The partners ZA Tech serves can be divided into two categories: insurance companies and Internet platforms. For insurance company customers, Graphene, the next-generation distributed insurance core system ZA Tech built, can help customers connect with various ecosystem partners locally and launch a variety of fragmented and scenario-based protection products. For Internet platform customers, ZA Tech provide an overall insurance and financial solution, Fusion.

In the first half of 2022, ZA Tech further developed our already-expanded overseas markets. In April 2022, ZA Tech reached cooperation with Aladin Bank, the first Islamic digital bank in Indonesia. Both parties will focus on long-term strategic cooperation, including insurance product development and technology export. Aladin Bank, as a new type of Islamic bank, is committed to expanding the Islamic finance territory in Indonesia. By conducting insurance transactions through modern digital means, a wider group of people in Indonesia can have access to digital insurance products at a more affordable price.

Also in April 2022, ZA Tech partnered with local Japanese companies to serve Sumitomo Life Insurance (“Sumitomo”), Japan’s leading life insurance group, to jointly launch innovative heatstroke coverage on PayPay, the largest mobile payment platform in Japan, which is widely favoured by the market. In the future, ZA Tech will continue to assist Sumitomo to launch more similar products by virtue of excellent technology to further promote the digitalization of its business.

In May 2022, PT. Web Proteksi Solusindo (WPS), the strategic insurance brokerage partner of ZA Tech, and China Life Insurance Indonesia Co., Ltd (“CLII”) have signed a sales cooperation agreement. ZA Tech, as one of the strategic partners of this cooperation, with leading digital Insurtech solutions, can help CLII to further tap into a wider Indonesian market and provide an easier and more efficient insurance application process.

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\$14.4 million (2021: net loss of HK\$56.2 million), representing current year fair value loss of HK\$202.2 million (2021: HK\$210.1 million) and reversal of portion of share of loss of HK\$187.7 million (2021: HK\$153.8 million), in respect of investment in RGAP being recognised in the profit or loss during the year ended 31 December 2022.

A fair value loss of HK\$202.2 million is recognised in current year's profit or loss stemming from loan receivables 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 year ended 31 December 2022, the Group recorded reversal of share of loss of an associate, RGAP, of HK\$187.7 million (2021: share of loss of HK\$153.8 million), in respect of the *Rockbund* project.

LOAN RECEIVABLE FROM ASSOCIATES

The loan receivable is an investment in RGAP by way of a shareholder's loan used for financing the *Rockbund* project, constituting a part of the total investment of the Group in RGAP. As the loan receivable is in fact a net investment, the Group has 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 31 December 2022, 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\$202.2 million (2021: HK\$210.1 million) for the year ended 31 December 2022.

SIGNIFICANT INVESTMENT

As at 31 December 2022, total equity instruments at fair value through other comprehensive income amounted to HK\$1,883.2 million (31 December 2021 (restated): HK\$2,377.5 million), mainly representing that of ZhongAn Online owned by the Group of approximately HK\$1,741.5 million (31 December 2021 (restated): HK\$2,187.4 million), which was measured at fair value at the end of this reporting period. As at 31 December 2022, the significant investment of the Group is as follows:

Description of significant investment	Number of shares held as at 31 December 2022	Percentage of shareholding as at 31 December 2022 %	Unrealised	Realised	Dividends received for the year ended 31 December 2022 HK\$'000	Approximate percentage of the Group's total assets as at 31 December 2022 %	Cost of investment HK\$'000	Market value *
			fair value gain/(loss) recognised in other comprehensive income for the year ended 31 December 2022 HK\$'000	fair value gain/(loss) recognised in other comprehensive income for the year ended 31 December 2022 HK\$'000				as at 31 December 2022 HK\$'000
Hong Kong listed shares								
- ZhongAn Online (Stock code: 6060)	81,000,000	5.51	(271,298)	—	—	1	92,000	1,741,500

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

ZhongAn Online is an online Insurance + Technology (“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 year ended 31 December 2022, the gross written premiums of ZhongAn Online was approximately RMB24,005 million, a year-on-year increase of approximately 17.2%; the net loss attributable to owners of the parent company was approximately RMB1,356 million, as compared to a profit attributable to owners of the parent company of RMB1,165 million for the corresponding period in 2021.

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 industries, 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.

RIGHTS ISSUE AND USE OF PROCEEDS

References are made to the Company’s announcement dated 6 January 2021 and circulars dated 11 February 2021 and 19 March 2021. Capitalized terms used in this announcement shall have the same meanings stated in the above announcement and circulars. The Company implemented the Rights Issue on the basis of four Rights Shares for every five ordinary shares in issue at the Subscription Price of HK\$0.28 per Rights Share to raise up to approximately HK\$793.2 million by way of issuing up to 2,832,890,264 Rights Shares. The reasons for the Rights Issue were (i) to prepare for further investment into the FinTech business through ZhongAn International, (ii) to reduce the debt level of the Group; and (iii) as additional working capital for the Group.

The Rights Issue was approved by the shareholders of the Company at the special general meeting on 8 March 2021 and the Rights Issue was completed on 15 April 2021. The net proceeds from the Rights Issue (after deducting expenses) are approximately HK\$788.2 million.

As of 31 December 2022, the intended use and actual use of the net proceeds from the Rights Issue, as well as the unutilized net proceeds therefrom are as follows:

	Intended use of proceeds from the Rights Issue <i>HK\$'million</i>	Unutilized net proceeds as at 1 January 2022 <i>HK\$'million</i>	Actual use of net proceeds during the year <i>HK\$'million</i>	Unutilized net proceeds as at 31 December 2022 <i>HK\$'million</i>
Repayment of external debts	118.2	—	—	—
Further investment into the FinTech business of the Group	591.2	—	—	—
General working capital	78.8	9.7	9.7	—
	<u>788.2</u>	<u>9.7</u>	<u>9.7</u>	<u>—</u>
Total	<u>788.2</u>	<u>9.7</u>	<u>9.7</u>	<u>—</u>

PROSPECTS

Looking forward, while the global rate hikes may end in 2023, the historic pace of rate hikes already poses serious risks to global economic growth. The United States is likely to experience a recession in 2023 due to monetary policy. Although the United States' economic growth is relatively resilient, it is only a matter of time before debt defaults increase and workers lose their jobs. Still, the U.S. is well-funded in the financial, corporate, and household sectors, so a recession similar to the Great Depression is unlikely.

In 2023, China's macroeconomic environment will improve, and the economic growth rate will increase compared with last year. On the domestic front, the epidemic prevention and control policy has been continuously optimized to better coordinate epidemic prevention and control with economic and social development. Production and life resumed in an orderly manner, leading to a gradual recovery in consumption. Macro policies will also maintain steady growth. Technological innovation and green transformation will promote investments in the manufacturing sector. Infrastructure investment will maintain steady growth, and the real estate market will also reduce the drag on the economy. On the international front, the fall in the inflation rate has slowed down the pace of interest rate hikes by the Federal Reserve. The pressure on the RMB exchange rate and the capital market has eased, which will help stabilize China's financial market.

China's macroeconomic policy will remain relatively loose to support continued economic recovery. In terms of monetary policy, it is expected that China's monetary policy will maintain stability and continuity in 2023, with stable growth as the primary goal of monetary policy. In terms of the economic aggregate, liquidity will be maintained at a reasonable and sufficient level, and money supply and social financing will grow reasonably. On 25 November 2022, the central bank announced that the deposit reserve ratio will be reduced by another 0.25%, releasing about RMB500 billion of long-term funds, providing a suitable liquidity environment for the economic work at the end of the year, and supporting the credit. Meanwhile, the central bank will further promote financial institutions to lower the effective loan interest rate, reduce the comprehensive financing cost of enterprises and the cost of personal consumption credit, increase the investment demand of enterprises and residents, and enhance the endogenous growth momentum of the economy. In terms of the structure, we will continue to make good use of the existing structural monetary policy tools in a reasonable and moderate manner. We will increase support for key areas of financial support, weak links, and industries and market entities severely affected by the epidemic.

In 2023, the decline in the growth rate of China's real estate investment will be reduced, and the drag on the economy will be reduced. From a long-term perspective, China's policy goal is to establish a sound long-term real estate mechanism to achieve a stable and healthy development of the real estate market. The report of the 20th National Congress of the Communist Party of China pointed out that we must insist on the positioning that houses are for living in, not for speculation. Although the real estate market still faces relatively large downside risks in the short term, in the long run, there is still room for China's urbanization process, and families' growing demand for improved housing will support the steady development of China's real estate market.

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

In terms of business development, while striving to balance the profitability and growth of the existing business, we 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 provide a business development for the Group's stable growth and bring long-term values for shareholders.

FINANCIAL REVIEW

The Group's total borrowings was HK\$1,153.6 million as at 31 December 2022 (2021: HK\$955 million). As at 31 December 2022, the Group's gearing ratio, calculated on the basis of total borrowings over shareholders' equity, was 17.3% as compared with 12.3% (restated) as at 31 December 2021. The Group remained financially strong with a net cash position.

At 31 December 2022, pledged bank deposits of HK\$1,164.7 million (2021: HK\$930.3 million) and investment properties of HK\$516.2 million (2021: HK\$563.6 million), were pledged to banks to secure general banking facilities granted to the Group. The borrowings of the Group are denominated in HK\$. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments have been used for hedging purposes; however, the Board will continue to evaluate and closely monitor the potential impact of RMB and interest rate fluctuation on the Group.

The Group's cash and bank balances amounted to HK\$2,704.6 million (including structured deposits, bank deposits, pledged bank deposits, and cash and cash equivalents) as at 31 December 2022 (2021: HK\$2,974.4 million), mostly denominated in RMB, HK\$ and USD.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had commitments of HK\$36.8 million in respect of properties under development.

CONTINGENT LIABILITIES

As at 31 December 2022, guarantees offered to banks as security for the mortgage loans arranged for the Group's property buyers amounted to HK\$7.1 million (2021: HK\$8.6 million).

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed approximately 628 full time employees for its principal activities. The Group recognizes the importance of high calibre 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 approved share option scheme.

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 year ended 31 December 2022.

CORPORATE GOVERNANCE

During the year, the Company has complied with the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) 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. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Since the change of the Chairman of the Board in June 2017, Mr. XIANG Ya Bo has undertaken both the roles of the Chairman of the Board and the Chief Executive Officer of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. XIANG Ya Bo acting as both the Chairman of the Board and also as the Chief Executive Officer of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

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”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2022, 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 process and internal controls. The Audit Committee comprises three independent non-executive directors, namely, Mr. Tian Jin, Dr. Xiang Bing 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, effectiveness of internal controls, audit process and risk management.

The annual results of the Group for the year ended 31 December 2022 had been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PwC on the preliminary announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) was scheduled to be held on Wednesday, 31 May 2023. The notice of AGM will be published on the Company’s website at www.sinolinkhk.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no share transfer will be effected. In order to identify the entitlement for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2023.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

By Order of the Board
Sinolink Worldwide Holdings Limited
XIANG Ya Bo
Chairman and Chief Executive Officer

Hong Kong, 22 March 2023

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