



百仕達控股有限公司\*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1168

2019

INTERIM REPORT

\* For identification purpose only

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Xiang Ya Bo  
(Chairman and Chief Executive Officer)  
Chen Wei

### *Non-executive Directors*

Ou Jin Yi Hugo  
Ou Yaping  
Tang Yui Man Francis

### *Independent Non-executive Directors*

Tian Jin  
Xiang Bing  
Xin Luo Lin

## AUTHORISED REPRESENTATIVES

Ou Jin Yi Hugo  
Xiang Ya Bo

## COMPANY SECRETARY

Lo Tai On

## AUDIT COMMITTEE

Xin Luo Lin (Chairman)  
Tian Jin  
Xiang Bing

## NOMINATION COMMITTEE

Tian Jin (Chairman)  
Xiang Bing  
Xiang Ya Bo  
Xin Luo Lin

## REMUNERATION COMMITTEE

Xin Luo Lin (Chairman)  
Xiang Bing  
Xiang Ya Bo

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th Floor, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong  
Telephone : (852) 2851 8811  
Facsimile : (852) 2851 0970  
Stock Code : 1168  
Website : <http://www.sinolinkhk.com>

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712 - 1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## LEGAL ADVISORS

(As to Hong Kong Law)  
Cleary Gottlieb Steen & Hamilton (Hong Kong)  
Deacons  
Guantao & Chow Solicitors & Notaries  
JunHe Law Offices  
Norton Rose Fulbright Hong Kong  
Tsang, Chan & Wong

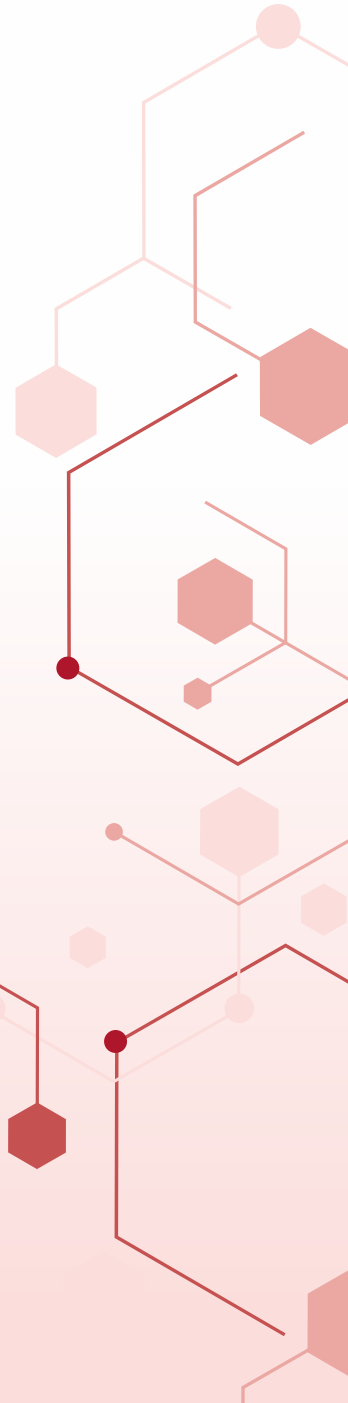
(As to Bermuda Law)  
Conyers Dill & Pearman

## PRINCIPAL BANKERS

Bank of China  
Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China  
Ping An Bank

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### FOR THE SIX MONTHS ENDED 30 JUNE 2019

- REVENUE DECREASED 26% TO HK\$217.0 MILLION
- GROSS PROFIT DECREASED 24% TO HK\$124.0 MILLION
- LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY WAS HK\$112.2 MILLION
- BASIC LOSS PER SHARE WAS HK\$3.17 CENTS

The board of Directors (the “Board”) of Sinolink Worldwide Holdings Limited (the “Company”) is pleased to announce the following unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the preceding financial six months ended 30 June 2018.

Looking back at the first half of 2019, the world’s major economies all showed signs of slowing down. After a decade of expansion, the U.S economy also showed signs of slowing down as trade friction bites, tax cut impact fades and three cycles of inventory, production capacity and real estate decline. China’s gross domestic product (GDP) amounted to RMB45.09 trillion in the first half of 2019, up 6.2% year-on-year. By quarters, the year-on-year growth rates in the first quarter and in the second quarter were 6.4% and 6.2%, respectively. The downward trend of the GDP growth indicates great pressure on the domestic economy due to slowdown in global economic growth and weakened domestic and overseas demands.

China’s economic growth continues to slow down, and it remains to be seen when China’s economy will stabilize. Recent economic data released by the Bureau of Statistics showed that growth in consumption, fixed asset investment and industrial production rose faster than expected, indicating that the economy performed well in both supply and demand in June. However, given that the current investment demand has not yet significantly entered the rising cycle, investment in real estate and manufacturing industry is still weak, residential sector leverage is limited under the strict regulation policy of the real estate market, and the Sino-US trade negotiation process is relatively repetitive, it is still to be seen when China’s economy will hit bottom in the future. Facing internal and external situation, China will step up institutional reform, continue to conduct supply-side reform, and improve potential economic growth.

In 2019, the Company actively considered enhancing its business model and creating new value for the Group in response to the Chinese government’s and the Hong Kong SAR government’s continued approach to promote financial technology (“Fintech”) development. In the first half of 2019, while maintaining to develop real estate business and financing services business, the Group actively collaborated with leading Fintech companies in the market and grasped every opportunity to develop in the Fintech market. For instance, we invested in ZhongAn Online P & C Insurance Co., Ltd. (“ZhongAn Online”) (stock code: 6060) and with whom we established a joint venture, ZhongAn Technologies International Group Limited (“ZhongAn International”).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019, the Group's revenue was HK\$217.0 million, decreasing by 26% as compared to the same period of last year. Gross profit was HK\$124.0 million, decreasing by 24% as compared to the same period of last year. The Company recorded loss attributable to the owners of the Company of HK\$112.2 million during the period, as compared to the profit attributable to the owners of the Company of HK\$123.9 million in the same period of last year. Basic loss per share amounted to HK3.17 cents, decreasing by 191% year-on-year.

### PROPERTY RENTAL

For the six months ended 30 June 2019, total rental income amounted to HK\$110.8 million, representing an increase of 11% as compared to the same period of last year.

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

#### *SINOLINK TOWER*

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

As at 30 June 2019, the occupancy rate of the office portion of *Sinolink Tower* was 83%. Tenants are mainly engaged in jewelry, investment and real estate business.

*O Hotel*, the Group's first hotel that is dedicated to delivering customized experience, has 188 rooms and suites, a stylish restaurant, a specialty coffee shop, a premium fitness club and other facilities. Our principle is to develop niche projects based on a differentiated operating model, focusing on quality but not quantity.

Confronted by the economic slowdown in the PRC, *O Hotel*, as a proprietary brand of boutique hotels, may see its average rent and occupancy rate under pressure. We acknowledge that a strong hotel brand takes time to build. Nevertheless, we are confident that holding a good quality asset for the long term will maximize its value. We will wait patiently for the investment return comprising a higher value of the asset and an increase in operating profit generated therein.

## PROPERTIES UNDER DEVELOPMENT

As at 30 June 2019, the Group has the following properties under development:

### 1. *ROCKBUND*

Located at the Bund in Shanghai, *Rockbund* is an integrated property project jointly developed by the Group and The Rockefeller Group International, Inc. The project, comprising preserved heritage buildings and some new structures, has a total site area of 18,000 square meters with a GFA of 94,080 square meters. The Group intends to redevelop the historical site and structures into an upscale mixed-use neighborhood with residential, commercial, retail, food and beverages, offices and cultural facilities. The preserved heritage buildings have commenced operation with a portion already leased out. Structural works of the new building structures had been completed with facades works well under way. The entire project is expected to commence operation upon completion of the construction in 2021.

### 2. *NINGGUO MANSIONS*

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ASSET FINANCING

眾聯融資租賃(上海)有限公司 (Zhong Lian Financial Leasing (Shanghai) Co., Ltd.\*), 眾安國際融資租賃(天津)有限公司 (Zhong An International Financial Leasing Co., Ltd.\*) and 眾安國際商業保理(天津)有限公司 (Zhong An International Commercial Factoring Co., Ltd.\*), the wholly-owned subsidiaries of the Group, are principally engaged in financing business, including asset financing business and providing various customers with financial leasing, business factoring and other loan financing services.

For the six months ended 30 June 2019, the interest revenue from financing services business amounted to HK\$7.9 million (for the six months ended 30 June 2018: HK\$55.1 million). As China's finance leasing industry has witnessed many years of fast development and adjustment, market competition and regulation policies also continue to increase. The relevant decline is primarily due to market fluctuations and inclination to select high-quality borrowers. The Company will be more discreet on asset financing business to improve its credit management.

Due to the lack of credit reference systems and the failure to provide standard collaterals by SME borrowers, domestic SMEs face long-term difficulties in obtaining financing from banks. In addition, the tightening of domestic monetary policy has resulted in further credit crunching, which continuously limited the financing channels available for SMEs and increased their financing costs. Compared with business factoring companies, banks tend to carry out business with large-scale companies and adopt a more prudent credit policy, and the approval process also generally takes longer time. This makes it difficult for SMEs to obtain financing in a timely manner for operation or business expansion, and so they will consider other financing channels such as business factoring, thereby creating business opportunities for business factoring companies.

## OTHER BUSINESSES

Other businesses within the Group include property, facility and project management services. For the six months ended 30 June 2019, the Group recorded a turnover of HK\$98.2 million from other businesses, representing a year-over-year decrease of 1%.

## MAJOR ASSOCIATE – ROCKEFELLER GROUP ASIA PACIFIC, INC.

For the six months ended 30 June 2019, the Group recorded a turnaround from share of profit of a major associate, Rockefeller Group Asia Pacific, Inc. ("RGAP"), of HK\$24.7 million for the six months ended 30 June 2018 to share of loss of HK\$48.4 million in respect of the *Rockbund* project, which was mainly due to the changes in the valuation of the investment properties and finance cost.

\* For identification purpose only



## 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 part of the total investment of the Group in RGAP. As the loan receivable is in fact a net investment, the Group has recognized its share of loss of RGAP in excess of the investment cost against the loan receivable. The directors consider that the investment is a long-term investment, which should be classified into a non-current asset accordingly.

Since loan receivable from associates as well as the amounts due from associates represent an investment in the project of RGAP and hence the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, loan receivable from associates as well as the amounts due from associates are both measured at fair value through profit or loss ("FVTPL") according to Hong Kong Financial Reporting Standards ("HKFRS") 9 "Financial Instruments". The directors of the Company assessed the fair value of the loan receivable from associates and amounts due from associates by taking into consideration the estimated future cash flows and timing of such cash flows discounted at market interest rate. During the period, RGAP has delayed the completion plan of its property project. As such, the Group has revised its estimates as to when the amounts due from associates and loan receivable from associates can be recovered.

As at 30 June 2019, 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 its market interest rate. The directors of the Company have reviewed the carrying amount of the loan receivable from associates of HK\$451,632,000 (31 December 2018: HK\$567,146,000) and amounts due from associates of HK\$125,593,000 (31 December 2018: HK\$125,537,000) and considered that these amounts are fully recoverable.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS

As at 30 June 2019, total equity instruments at fair value through other comprehensive income amounted to HK\$1,552.5 million (31 December 2018: HK\$1,895.0 million), mainly representing domestic shares of ZhongAn Online owned by the Group of approximately HK\$1,440.5 million (31 December 2018: HK\$1,790.1 million), which was measured at fair value at the end of the reporting period. As at 30 June 2019, the Group owns approximately 5.51% of the total issued share capital of ZhongAn Online, of which the original cost is approximately HK\$92 million.

In estimating the fair value of the investment in ZhongAn Online, the Group has taken into consideration the marketability discount on domestic shares of ZhongAn Online.

As a leading online insurance technology (“Insurtech”) company in the world, ZhongAn Online is committed to enabling the development of insurance industry with technology advancement through advanced technologies including big data, cloud computing, artificial intelligence and blockchain. After years of development, ZhongAn Online has established and continuously optimized the cooperation modes with online scenario parties, with an aim to enhance the operation efficiency of scenario platforms and realize in-depth cooperation with quality scenario parties. Moreover, ZhongAn Online’s capabilities in big data for customers acquisitions, scenario customer operation, artificial intelligence and other technologies also provided support for the operation and development of its proprietary platforms. Upholding the ecosystem-oriented Insurtech strategy, ZhongAn Online is expected to make continuous efforts in consolidating and enhancing its ecosystem service capability by applying its technology strength to more ecosystem partners. We believe ZhongAn Online will continue to improve the development of its existing five major ecosystems, including health, consumer finance, auto, lifestyle consumption and travel, and apply leading technologies in its insurance business, so as to consolidate its leading position in the online Insurtech sector.

## 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, (a) the Company and ZhongAn Technology made a capital contribution in cash in the amount of RMB60 million and RMB50 million, respectively, to ZhongAn International in consideration of its ordinary shares; and (b) the Company made an additional capital contribution of RMB620 million in cash to ZhongAn International in consideration of redeemable preference shares of ZhongAn International ("Redeemable Preference Shares"). The Company and ZhongAn Technology owns 49% and 51% of the voting interests in ZhongAn International, respectively.

As of 30 June 2019, the Group subscribed Redeemable Preference Shares of 526,450,500 shares in cash consideration of RMB526,450,500 (equivalent to HK\$600 million). Subsequent to the period ended 30 June 2019, on 26 July 2019, the Company completed subscription of 93,549,500 Redeemable Preference Shares at a cash consideration of RMB93,549,500 (equivalent to approximately HK\$106,276,058). The Company has completed the additional capital contribution of RMB620,000,000 in consideration of Redeemable Preference Shares. ZhongAn International have the right to redeem from the Group all or any portion of Redeemable Preference Shares within 5 years from the date of the issuance of Redeemable Preference Shares (whose term shall be renewed automatically every 5 years, subject to any veto by any of the Group or ZhongAn Technology) at the amount of the Redeemable Preference Shares attributable to the Group plus an interest rate of 5.5% per annum on the price redeemed calculated from the date of the relevant contribution by the Group on pro-rata basis. The Group did not have any voting rights from Redeemable Preference Shares and did not have any right to receive dividend from ZhongAn International. In the event of a return of capital, liquidation, dissolution or winding-up of ZhongAn International, the Group shall be entitled to receive in cash, the amount of contribution attributable to the then issued Redeemable Preference Shares and the amount of revenue as of the day on which any of the above incidents happens. As the rights and obligations of the ownership over Redeemable Preference Shares are different from the ownership of ordinary shares of ZhongAn International, the Group's investment in Redeemable Preference Shares is accounted for in accordance with HKFRS 9 and measured at FVTPL.

## MANAGEMENT DISCUSSION AND ANALYSIS

As stated in the announcement dated 18 July 2019, the Company entered into the joint venture share subscription agreement with ZhongAn Technology and ZhongAn International, pursuant to which (1) the Company conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to allot and issue, an aggregate of 980,000,000 new joint venture Ordinary Shares for a total subscription price of RMB960,784,313.73 payable in cash; and (2) ZhongAn Technology conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to allot and issue, an aggregate of 1,020,000,000 new joint venture Ordinary Shares for a total subscription price of RMB1,000,000,000 payable in cash. Upon final completion, the voting interest held by ZhongAn Technology and the Company in ZhongAn International shall remain 51% and 49%, respectively.

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

The additional capital contribution from the Company and ZhongAn Technology will provide additional working capital and greater financial flexibility to ZhongAn International which will further facilitate its business agenda of exploring international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech in overseas markets. The Company subscription will enable the Company to better align its investment objectives and strategy to achieve more stable return in respect of its investment in ZhongAn International.

The Company issued a circular on 16 August 2019 that a special general meeting will be convened and held on 4 September 2019 for the Shareholders to consider and, if thought fit, approve the share subscription agreement and the Company subscription.

For six months ended 30 June 2019, the Group's share of loss of ZhongAn International was HK\$61.1 million, which was mainly attributable to the initial development costs incurred by ZhongAn International.

As an international development platform for ZhongAn Online, the first Insurtech company in China, ZhongAn International was established in Hong Kong in September 2017 to explore international business development, virtual bank, cooperation and investment opportunities in relation to Fintech and Insurtech business in overseas markets. ZhongAn International focuses on providing innovative technologies and solutions for the traditional insurance companies and developing integrated insurance and financial solutions for the internet platforms. ZhongAn International has basically completed the preparation work for its international business, with a focus to export technologies to Asian markets at the early stage of development.

On 31 July 2018, ZhongAn International entered into a shareholder agreement with SVF Zen JVCo (Singapore) Pte. Ltd., a wholly-owned subsidiary of SoftBank Vision Fund L.P. ("SVF"), pursuant to which SVF, as a strategic investor, would participate in ZA Tech Global Limited, a new operating entity established by ZhongAn International, to jointly explore development opportunities for overseas business, with an aim to support ZhongAn International in its efforts to further expand the development of its Insurtech, Fintech and other technology solution businesses in overseas markets.

Following the cooperation reached with Sampo Japan Insurance Inc. and Grab Holdings Inc, a leading O2O platform in Southeast Asia, in September 2018 and January 2019 respectively, ZhongAn International entered into a strategic cooperation agreement with NTUC Income, one of the largest comprehensive insurance agencies in Singapore, through ZA Tech Global Limited, on 11 April 2019. Accordingly, ZhongAn International can export the core digital insurance system to NTUC Income and help NTUC Income to reduce costs, increase efficiency and enhance business flexibility, contributing to NTUC Income in launching innovative products and achieving digital transformation in the Singaporean market.

ZhongAn International has actively engaged in Fintech and innovation in Hong Kong and participated in the application of Hong Kong's first batch of virtual banking license, aiming to provide customized and comprehensive financial services to individual customers and the SMEs and improve financial inclusion with technology. On 27 March 2019, ZA Bank Limited ("ZA Bank") (formerly known as Zhong An Virtual Finance Limited), a wholly-owned subsidiary of ZhongAn International, was granted a virtual banking license issued by Hong Kong Monetary Authority, allowing it to provide a wide range of brand new online financial services in Hong Kong.

We believe, based on its experiences gained from the Insurtech market in China, ZhongAn International will develop world-leading cloud-based and open-ended insurance industry core platform products, and create hybrid ecosystems integrating traditional insurance industry and internet platforms, with an aim to become the preferred partner for insurance digitalization and financial service provider in the Asia Pacific region.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

Looking forward to second half of 2019, the PRC economy has slowed down, and the government has adopted an easing policy to buffer the pace of economic slowdown. The global economy still faces numerous challenges for the rest of the year, and the Group will pay close attention to economic changes and make corresponding adjustments in its strategy.

In terms of certain industry, we consider that the Fintech industry is still at its nascent stage of development with enormous potential for future development. Fintech is continuously being applied to various financial service scenarios, which not only increases the competitiveness of the financial service industry, but also provides the general public with more diversified choices in daily life.

Fintech focuses on the application of technology in the financial field. The innovative convergence of technology and finance is breaking the framework of traditional financial products and service models, and contributes to effectively improving customer experience, increasing service efficiency and reducing transaction cost.

In terms of business development, when considering the growth and profitability of the existing business, the Group will continue to pay attention to the opportunities arising from the development of the Fintech industry and hope that proper resource allocation and effective management can provide a business development direction for the Group's sustainable growth and bring long-term values for shareholders.

## FINANCIAL REVIEW

The Group's total borrowings decreased from HK\$1,026.8 million as at 31 December 2018 to HK\$818.5 million as at 30 June 2019. As at 30 June 2019, the Group's gearing ratio, calculated on the basis of total borrowings over shareholders' equity, was 12.4% as compared with 14.8% as at 31 December 2018. The Group remained financially strong with a net cash position.

At 30 June 2019, bank deposits of HK\$773,139,000 (31 December 2018: HK\$776,857,000), structured deposits of HK\$115,909,000 (31 December 2018: HK\$116,438,000) and investment properties with an aggregate carrying amount of HK\$526,136,000 (31 December 2018: HK\$528,539,000) were pledged to banks to secure general banking facilities granted to the Group. The borrowings of the Group are denominated in RMB and HK\$. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments have been used for hedging purposes; however, the Board will continue to evaluate and closely monitor the potential impact of RMB and interest rate fluctuation on the Group.

The Group's cash and bank balances amounted to HK\$3,218.7 million (including pledged bank deposits, structured deposits, short-term bank deposits, long-term bank deposits, and cash and cash equivalents) as at 30 June 2019, mostly denominated in RMB, HK\$ and USD.

## CAPITAL COMMITMENTS

As at 30 June 2019, the Group had commitments of HK\$40.0 million in respect of properties under development.

## CONTINGENT LIABILITIES

As at 30 June 2019, guarantees offered to banks as security for the mortgage loans arranged for the Group's property buyers amounted to HK\$11.9 million.

## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2019, the aggregate amount of financial assistance to associated companies by the Group in aggregate exceeded 8% of the asset ratios as defined in Rule 14.07(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In accordance with the requirements under Rule 13.22 of the Listing Rules, a pro forma combined statement of financial position of the associated companies as at 30 June 2019 is presented as follows:

	HK\$'000
Non-current assets	5,714,333
Current assets	1,422,026
Current liabilities	(799,408)
Non-current liabilities	(7,837,767)
<b>Net liabilities</b>	<b>(1,500,816)</b>

The Group's attributable interest in the associated companies as at 30 June 2019 comprised net liabilities of HK\$770,365,000.

The pro forma combined statement of financial position of the associated companies has been prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies as 30 June 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended 30 June 2019 (2018: nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed approximately 749 full time employees for its principal activities. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the six months ended 30 June 2019.

### CORPORATE GOVERNANCE

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

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



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2019, all Directors have complied with the required standard set out in the Model Code.

## AUDIT COMMITTEE

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

The interim results of the Group for the six months ended 30 June 2019 had not been audited, but had been reviewed by the Company’s external auditor, Deloitte Touche Tohmatsu and the Audit Committee.

## APPRECIATION

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

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

Hong Kong, 27 August 2019

## OTHER INFORMATION

### DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### LONG POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Directors	Capacity	Interest in shares			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued shares of the Company as at 30.6.2019
		Personal interest	Corporate interest	Family interest				
Chen Wei	Beneficial owner	13,500,000	-	-	13,500,000	3,000,000	16,500,000	0.46%
Ou Yaping	Joint interest and interest of controlled corporation	-	1,590,283,250	7,285,410	1,597,568,660	-	1,597,568,660	45.11%
			(Note)					
Tang Yui Man Francis	Beneficial owner	21,375,000	-	-	21,375,000	35,000,000	56,375,000	1.59%
Tian Jin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.05%
Xiang Bing	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.05%
Xiang Ya Bo	Beneficial owner	-	-	-	-	35,000,000	35,000,000	0.98%
Xin Luo Lin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.05%

*Note:* These 1,590,283,250 shares of the Company are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Non-executive Director of the Company. Accordingly, Mr. Ou is deemed to be interested in the shares of the Company held by Asia Pacific under the SFO.

Details of the share options granted to the above Directors are set out in the below section headed "Directors' Rights to Acquire Shares or Debentures of the Company and Associated Corporation".

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

Pursuant to the Company's share option scheme adopted in 2012, the Company has granted to certain Directors of the Company options to subscribe for the shares of the Company, details of which as at 30 June 2019 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of shares subject to outstanding options as at 1.1.2019	Number of shares subject to outstanding options as at 30.6.2019	Approximate percentage of the issued shares of the Company as at 30.6.2019
Chen Wei	15.05.2015	15.11.2015-14.05.2025	1.37	1,500,000	1,500,000	0.04%
		15.05.2016-14.05.2025	1.37	1,500,000	1,500,000	0.04%
Tang Yui Man Francis	15.05.2015	15.11.2015-14.05.2025	1.37	17,500,000	17,500,000	0.49%
		15.05.2016-14.05.2025	1.37	17,500,000	17,500,000	0.49%
Tian Jin	15.05.2015	15.11.2015-14.05.2025	1.37	1,000,000	1,000,000	0.02%
		15.05.2016-14.05.2025	1.37	1,000,000	1,000,000	0.02%
Xiang Bing	15.05.2015	15.11.2015-14.05.2025	1.37	1,000,000	1,000,000	0.02%
		15.05.2016-14.05.2025	1.37	1,000,000	1,000,000	0.02%
Xiang Ya Bo	15.05.2015	15.11.2015-14.05.2025	1.37	17,500,000	17,500,000	0.49%
		15.05.2016-14.05.2025	1.37	17,500,000	17,500,000	0.49%
Xin Luo Lin	15.05.2015	15.11.2015-14.05.2025	1.37	1,000,000	1,000,000	0.02%
		15.05.2016-14.05.2025	1.37	1,000,000	1,000,000	0.02%

### Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- These options represent personal interest held by the Directors as beneficial owners.

Other than the share option scheme of the Company mentioned below, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## OTHER INFORMATION

### DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

As at the date of this interim report, the Company is not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### SHARE OPTION SCHEME OF THE COMPANY

A share option scheme was adopted by shareholders of the Company on 17 May 2012 (the "2012 Share Option Scheme"), under which the Board may, at its discretion, offer any employees of the Group or any directors of the Company or any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has a life of 10 years from the date of its adoption. Movement of options granted under the 2012 Share Option Scheme were set out below.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price <i>HK\$</i>
2015A Option	15.05.2015	15.11.2015-14.05.2025	1.37
	15.05.2015	15.05.2016-14.05.2025	1.37
2015B Option	15.05.2015	15.11.2015-14.05.2025	1.37
	15.05.2015	15.05.2016-14.05.2025	1.37
	15.05.2015	15.11.2016-14.05.2025	1.37

The following table discloses movements in the Company's share options granted under the 2012 Share Option Scheme during the period:

Option types	Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2019	
<i>Category 1: Directors</i>						
Chen Wei	2015A Option	3,000,000	-	-	-	3,000,000
Tang Yui Man Francis	2015A Option	35,000,000	-	-	-	35,000,000
Tian Jin	2015A Option	2,000,000	-	-	-	2,000,000
Xiang Bing	2015A Option	2,000,000	-	-	-	2,000,000
Xiang Ya Bo	2015A Option	35,000,000	-	-	-	35,000,000
Xin Luo Lin	2015A Option	2,000,000	-	-	-	2,000,000
Total for Directors		<u>79,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,000,000</u>
<i>Category 2: Employees</i>						
	2015B Option	<u>35,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000,000</u>
Total for employees		<u>35,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000,000</u>
All categories		<u><u>114,000,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>114,000,000</u></u>

*Notes:*

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no options were granted, exercised, lapsed or cancelled under the 2012 Share Option Scheme.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

At 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholder(s) had notified the Company of relevant interests and short positions in the issued shares of the Company:

### *LONG POSITIONS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY*

Name of shareholder	Capacity/ Nature of Interest	Interest in Shares	Interest in Derivatives	Total Interests	Approximate percentage of the Company's issued shares at 30.6.2019
Asia Pacific (Note 1)	Beneficial owner/ Beneficial interest	1,590,283,250 (Long)	-	1,590,283,250 (Long)	44.90%
Karst Peak Capital Limited (Note 2)	Investment Manager/ Other interest	171,988,000 (Long)	150,998,000 (Long)	322,986,000 (Long)	9.12%
Adam Gregory LEITZES (Note 2)	Interest in controlled corporation/ corporate interest	171,988,000 (Long)	150,998,000 (Long)	322,986,000 (Long)	9.12%
Morgan Stanley (Note 3)	Interest in controlled corporation/Corporate interest	302,715,084 (Long)	-	302,715,084 (Long)	8.54%
		-	142,577,000 (Short)	142,577,000 (Short)	4.02%

*Notes:*

- The 1,590,283,250 shares of the Company are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Non-executive Director of the Company. Accordingly, Mr. Ou is deemed to be interested in the shares of the Company held by Asia Pacific under the SFO. Mr. Ou's interests had been disclosed in the section headed "Directors' Interests or Short Positions in Shares and Underlying Shares" above.

2. Karst Peak Capital Limited ("Karst Peak"), as investment manager through a number of 100% controlled funds, holds these 322,986,000 shares of the Company, including unlisted derivative interests of 150,998,000 shares of the Company with cash settled. Adam Gregory LEITZES controlled 100% interests in Karst Peak. Accordingly, Adam Gregory LEITZES is deemed to be interested in those shares of the Company held by Karst Peak under the SFO.
3. Morgan Stanley, through a number of wholly-owned direct and indirect controlled corporations, holds (i) these 302,715,084 Shares (long position); and (ii) these 142,577,000 Shares (short position) which is unlisted derivative with cash settled.

Save as disclosed above, as at 30 June 2019, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

德勤

To The Board of Directors of Sinolink Worldwide Holdings Limited  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 76, which comprise the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong  
27 August 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended	
		30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Revenue			
Interest revenue from financing services business		7,943	55,144
Revenue from operating activities		209,029	238,122
Total revenue	3	216,972	293,266
Cost of services		(93,025)	(130,773)
Gross profit		123,947	162,493
Other income	4	56,940	54,567
Selling expenses		(1,428)	(1,941)
Administrative expenses		(54,625)	(68,363)
Other gains and losses	4	309	11,251
Increase in fair value of investment properties	11	—	31,902
Fair value gain (loss) on other financial assets at fair value through profit or loss ("FVTPL") and derivative financial instruments		13,850	(8,616)
Fair value loss on loan receivable from associates and amounts due from associates		(73,961)	—
Share of results of associates	29	(109,040)	22,241
Finance costs	5	(17,153)	(15,767)
(Loss) profit before taxation		(61,161)	187,767
Taxation	6	(27,374)	(38,217)
(Loss) profit for the period	7	(88,535)	149,550
Attributable to:			
Owners of the Company		(112,190)	123,871
Non-controlling interests		23,655	25,679
		(88,535)	149,550
		HK cents	HK cents
(Loss) earnings per share	9		
Basic		(3.17)	3.50
Diluted		(3.17)	3.50

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
(Loss) profit for the period	<u>(88,535)</u>	<u>149,550</u>
<b>Other comprehensive expense</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation to presentation currency	(28,223)	(71,491)
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax	<u>(251,667)</u>	<u>(959,438)</u>
Other comprehensive expense for the period, net of tax	<u>(279,890)</u>	<u>(1,030,929)</u>
Total comprehensive expense for the period	<u><u>(368,425)</u></u>	<u><u>(881,379)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(336,362)	(703,766)
Non-controlling interests	<u>(32,063)</u>	<u>(177,613)</u>
	<u><u>(368,425)</u></u>	<u><u>(881,379)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	303,198	258,820
Prepaid lease payments		–	58,412
Investment properties	11	2,642,533	2,654,600
Amounts due from associates	12	125,593	125,537
Interests in associates		108,723	115,681
Other financial assets at FVTPL	19	656,245	–
Equity instruments at FVTOCI	18	1,552,453	1,894,958
Other receivables	6	158,399	158,399
Loan receivables	13	–	1,491
Loan receivable from associates	14	451,632	567,146
Finance lease receivables	17	2,273	69,150
Deferred tax assets		230	828
Long-term bank deposit		111,975	50,228
Pledged bank deposits		772,727	776,256
		<b>6,885,981</b>	<b>6,731,506</b>
<b>Current assets</b>			
Stock of properties	15	869,057	867,991
Trade and other receivables, deposits and prepayments	16	91,190	91,593
Loan receivables	13	52,718	360,389
Finance lease receivables	17	51,598	84,221
Other financial assets at FVTPL	19	407,492	1,304,546
Prepaid lease payments		–	1,227
Short-term bank deposits		231,102	141,919
Structured deposits	20	309,091	239,726
Pledged bank deposits		412	601
Cash and cash equivalents		1,793,368	1,538,713
		<b>3,806,028</b>	<b>4,630,926</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade and other payables, deposits received and accrued charges	21	480,620	501,388
Contract liabilities		23,855	10,865
Taxation payable		696,834	710,667
Borrowings – due within one year		133,011	341,205
Lease liabilities		7,563	–
		<u>1,341,883</u>	<u>1,564,125</u>
Net current assets		<u>2,464,145</u>	<u>3,066,801</u>
Total assets less current liabilities		<u>9,350,126</u>	<u>9,798,307</u>
<b>Non-current liabilities</b>			
Borrowings – due after one year		685,511	685,599
Lease liabilities		921	–
Deferred taxation		744,471	825,060
		<u>1,430,903</u>	<u>1,510,659</u>
Net assets		<u>7,919,223</u>	<u>8,287,648</u>
<b>Capital and reserves</b>			
Share capital	22	354,111	354,111
Reserves		6,253,538	6,589,900
Equity attributable to owners of the Company		<u>6,607,649</u>	<u>6,944,011</u>
Non-controlling interests		<u>1,311,574</u>	<u>1,343,637</u>
Total Equity		<u>7,919,223</u>	<u>8,287,648</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company							Total HK\$'000			
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	General reserves HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investments revaluation reserve HK\$'000		Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000
At 1 January 2019 (audited)	354,111	1,824,979	359,148	185,511	367,782	79,300	989,734	2,785,446	6,944,011	1,343,637	8,287,648
(Loss) profit for the period	-	-	-	-	-	-	-	(112,190)	(112,190)	23,655	(88,535)
Other comprehensive expense for the period	-	-	(21,881)	-	-	-	(202,291)	-	(224,172)	(55,718)	(279,890)
Total comprehensive expense for the period	-	-	(21,881)	-	-	-	(202,291)	(112,190)	(336,362)	(32,063)	(368,425)
At 30 June 2019 (unaudited)	354,111	1,824,979	337,267	185,511	367,782	79,300	787,443	2,673,256	6,607,649	1,311,574	7,919,223
At 1 January 2018 (audited)	354,111	1,824,979	689,378	182,802	367,782	79,300	2,737,748	3,053,878	9,289,978	1,836,097	11,126,075
Profit for the period	-	-	-	-	-	-	-	123,871	123,871	25,679	149,550
Other comprehensive expense for the period	-	-	(60,355)	-	-	-	(767,282)	-	(827,637)	(203,292)	(1,030,929)
Total comprehensive (expense) income for the period	-	-	(60,355)	-	-	-	(767,282)	123,871	(703,766)	(177,613)	(881,379)
Disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	(3,902)	(3,902)
At 30 June 2018 (unaudited)	354,111	1,824,979	629,023	182,802	367,782	79,300	1,970,466	3,177,749	8,586,212	1,654,582	10,240,794

Note: The general reserves represent the enterprise expansion fund and general reserve fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), which are not available for distribution.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Net cash from (used in) operating activities		
Operating cash flows before movements in working capital	104,541	75,511
Decrease (increase) in financial assets at FVTPL	183,572	(35,344)
Decrease (increase) in loan receivables	305,629	(186,742)
Decrease (increase) in finance lease receivables	99,972	(112,949)
Decrease (increase) in receivables from financing business, trade and other receivables, deposits and prepayments	15,405	(14,762)
Decrease in trade and other payables, deposits received and accrued charges	(19,377)	(10,452)
Other movements in working capital	8,028	12,860
Net cash from (used in) operations	697,770	(271,878)
Taxation paid	(30,922)	(36,454)
Interest received from financing services business	7,943	38,397
	<u>674,791</u>	<u>(269,935)</u>
Net cash used in investing activities		
Other interest received	37,288	52,691
Dividend received	1,654	385
Placement of long-term bank deposits	(63,123)	–
Placement of short-term bank deposits	(152,727)	(377,232)
Withdrawal of short-term bank deposits	61,345	392,025
Placement of structured deposits	(196,759)	(965,599)
Withdrawal of structured deposits	125,000	572,954
Purchase of property, plant and equipment	(2,799)	(961)
Disposal of equity instruments at FVTOCI	9,122	–
Purchase of equity instruments at FVTOCI	(5,582)	(45,932)
Net cash outflow on disposal of a subsidiary	–	(7,389)
Proceed from disposal of interest in an associate	3,706	–
Other investing cash flows	(6,566)	(7,149)
	<u>(189,441)</u>	<u>(386,207)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Net cash used in financing activities		
New borrowings raised	—	382,287
Repayment of borrowings	(208,134)	(388,453)
Repayment of lease liabilities	(4,661)	—
Interest paid	(16,265)	(15,767)
	<u>(229,060)</u>	<u>(21,933)</u>
Net increase (decrease) in cash and cash equivalents	256,290	(678,075)
Cash and cash equivalents at beginning of the period	1,538,713	1,928,596
Effect of foreign exchange rate changes	(1,635)	(23,474)
Cash and cash equivalents at end of the period	<u>1,793,368</u>	<u>1,227,047</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property development, property management, property investment and financing services.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

### *Application of new and amendments to HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### *Application of new and amendments to HKFRSs (continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES"**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

#### **2.1.1 Key changes in accounting policies resulting from application of HKFRS 16**

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

##### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

##### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building, except for those that are classified and accounted for as investment properties.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. In the opinion of the directors of the Company, the discounting effect at transition on the rental deposits is insignificant.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

##### Lease liabilities (continued)

The lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

##### As a lessee (continued)

##### Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

##### As a lessor

##### Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessor (continued)

##### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

##### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

##### As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.22%.

	At 1 January 2019 HK\$'000
On transition, the Group has made the following adjustments upon application of HKFRS 16:	
Operating lease commitments disclosed as at 31 December 2018	11,110
Lease liabilities discounted at relevant incremental borrowing rates	10,582
Less: Recognition exemption – short-term leases	(792)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	9,790
Analysed as	
Current	7,779
Non-current	2,011
	9,790

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	At 1 January 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		9,790
Reclassified from prepaid lease payments	(a)	59,639
		<u>69,429</u>
By class:		
Leasehold lands		59,639
Land and buildings		9,790
		<u>69,429</u>

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$1,227,000 and HK\$58,412,000 respectively were reclassified to right-of-use assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

##### As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$6,104,000 was adjusted to refundable rental deposits received and advance lease payments on 1 January 2019.

There is no the impact of transition to HKFRS 16 on retained earnings at 1 January 2019.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December		Carrying amounts under HKFRS 16 at 1 January 2019
	Notes	2018 HK\$'000	Adjustments HK\$'000	2019 HK\$'000
<b>Non-current assets</b>				
Right-of-use assets		–	69,429	69,429
Prepaid lease payments	(a)	58,412	(58,412)	–
<b>Current assets</b>				
Prepaid lease payments	(a)	1,227	(1,227)	–
<b>Current liabilities</b>				
Trade and other payables, deposits received and accrued charges				
– rental deposits	(b)	(38,151)	6,104	(32,047)
– advance lease payments	(b)	(16,471)	(6,104)	(22,575)
Lease liabilities		–	(7,779)	(7,779)
<b>Non-current liabilities</b>				
Lease liabilities		–	(2,011)	(2,011)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

#### Impact on the condensed consolidated statement of financial position

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
<b>Current liabilities</b>				
Trade and other payables, deposits received and accrued charges				
- rental deposits	(b)	32,784	5,216	38,000
- advance lease payments	(b)	21,546	(5,150)	16,396
<b>Capital and reserves</b>				
Reserves		6,253,538	(53)	6,253,485
Non-controlling interests		1,311,574	(13)	1,311,561

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" (CONTINUED)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
Revenue				
Revenue from operating activities	(c)	209,029	(954)	208,075
Finance costs	(c)	(17,153)	888	(16,265)
Total comprehensive expense attributable to:				
Owners of the Company		(336,362)	(53)	(336,415)
Non-controlling interests		(32,063)	(13)	(32,076)
		<u>(368,425)</u>	<u>(66)</u>	<u>(368,491)</u>
Loss per share (HK cents)		<u>(3.17)</u>	<u>-</u>	<u>(3.17)</u>

Impact on the condensed consolidated statement of cash flows

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 16, as a lessor HK\$'000
Operating cash flows before movements				
In working capital	(c)	104,541	(954)	103,587
Decrease in trade and other payables, deposits received and accrued charges	(c)	(19,377)	954	(18,423)
		<u>(8,836)</u>	<u>(100)</u>	<u>(8,936)</u>

Note:

- (c) The adjustments relate to reduction in rental income and finance costs of HK\$954,000 and HK\$888,000 respectively if the discounting effects for refundable rental deposits were not adjusted.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 3. REVENUE AND SEGMENT INFORMATION

### (A) REVENUE

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

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Recognised over time under HKFRS 15:		
– Property management fee income	63,359	62,618
– Consultation service income from financing services business	–	33,064
– Others	34,881	36,700
Recognised at a point in time under HKFRS 15:		
– Service income from finance leasing and loan financing services	–	5,903
Recognised under HKFRS 15	98,240	138,285
Recognised under other HKFRSs:		
– Rental income	110,789	99,837
– Interest income from financing services business	7,943	55,144
	<u>216,972</u>	<u>293,266</u>

All the Group's revenue for both periods is generated from the PRC.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (A) REVENUE (CONTINUED)

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

Six months ended 30 June 2019 (unaudited)

	Property investment HK\$'000	Property management HK\$'000	Financing services HK\$'000	Others HK\$'000
Revenue disclosed in segment information				
External customers	110,789	63,359	7,943	34,881
Recognised under other HKFRSs	(110,789)	—	(7,943)	—
Revenue from contracts with customers	<u>—</u>	<u>63,359</u>	<u>—</u>	<u>34,881</u>

Six months ended 30 June 2018 (unaudited)

	Property investment HK\$'000	Property management HK\$'000	Financing services HK\$'000	Others HK\$'000
Revenue disclosed in segment information				
External customers	99,837	62,618	94,111	36,700
Recognised under other HKFRSs	(99,837)	—	(55,144)	—
Revenue from contracts with customers	<u>—</u>	<u>62,618</u>	<u>38,967</u>	<u>36,700</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (B) SEGMENT INFORMATION

For management purposes, the Group is currently organised into the following operating divisions - property development and sale of properties ("property development"), property management, property investment and provision of finance leasing and loan financing services in the PRC ("financing services"). These divisions are the basis on which the Group reports to the executive directors of the Company, the Group's chief operating decision makers ("CODM"), for performance assessment and resource allocation.

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

Six months ended 30 June 2019 (unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Financing services HK\$'000	Total for reportable segments HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	—	110,789	63,359	7,943	182,091	34,881	216,972
RESULT							
Segment result	(1,221)	100,954	2,895	(439)	102,189	(4,362)	97,827
Other income							56,940
Unallocated corporate expenses							(29,933)
Other gains and losses							309
Fair value gain on other financial assets at FVTPL and derivative financial instruments							13,850
Fair value loss on loan receivable from associates and amounts due from associates							(73,961)
Share of results of associates							(109,040)
Unallocated finance costs							(17,153)
Loss before taxation							(61,161)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (B) SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018 (unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Financing services HK\$'000	Total for reportable segments HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	–	99,837	62,618	94,111	256,566	36,700	293,266
<b>RESULT</b>							
Segment result	(1,629)	107,076	4,302	14,169	123,918	5,691	129,609
Other income							54,567
Unallocated corporate expenses							(29,371)
Other gains and losses							20,576
Fair value loss on other financial assets at FVTPL and derivative financial instruments							(8,616)
Share of results of associates							22,241
Unallocated finance costs							(1,239)
Profit before taxation							187,767

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

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 4. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
<b>Other income comprises:</b>		
Dividends from listed securities	1,654	385
Interest income on bank deposits	44,314	46,134
Interest income on other financial assets at FVTPL	8,357	6,557
Others	2,615	1,491
	<u>56,940</u>	<u>54,567</u>
<b>Other gains and losses comprises:</b>		
Net exchange (loss) gain	(1,834)	18,801
Reversal of provision for (provision for) loss allowance on		
– loans receivables	1,493	(8,589)
– finance lease receivables	891	(736)
– trade receivables	35	–
Gain on disposal of a subsidiary (note i)	–	2,098
Gain on disposal of an associate (note ii)	103	–
Others	(379)	(323)
	<u>309</u>	<u>11,251</u>

Notes:

- (i) During the period ended 30 June 2018, the Group disposed 30% equity interests in Credence Online Group Limited ("Credence Online") to another existing shareholder of Credence Online at a cash consideration of HK\$6,000,000. As at date of disposal, Credence Online had cash and cash equivalents of HK\$13,389,000 and net asset value of HK\$13,006,000. It resulted in a gain on disposal of HK\$2,098,000. After the disposal, the Group retains 40% equity interests in Credence Online and Credence Online becomes an associate of the Group.
- (ii) During the period ended 30 June 2019, the Group disposed 40% equity interests in Credence Online to an independent third party of Credence Online at a cash consideration of HK\$3,706,000. Before the disposal, the Group owned 40% interest in Credence Online and the investment was previously accounted for as an investment in an associate using the equity method of accounting. As at date of disposal, Credence Online had cash and cash equivalents of HK\$10,151,000 and net asset value of HK\$9,007,000. It resulted in a gain on disposal of HK\$103,000. The Group has no retained interest in Credence Online after the disposal.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 5. FINANCE COSTS

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Interest on borrowings	15,979	15,767
Interest on lease liabilities	286	—
Interest on deposits received for rental	888	—
	<u>17,153</u>	<u>15,767</u>

## 6. TAXATION

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	20,319	28,465
Deferred taxation	<u>7,055</u>	<u>9,752</u>
	<u>27,374</u>	<u>38,217</u>

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

Taxation for subsidiaries of the Group is calculated at the rate of 25% (six months ended 30 June 2018: 25%) of their assessable profits for the six months ended 30 June 2019 according to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 6. TAXATION (CONTINUED)

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

Deferred taxation charge for the period represents deferred tax arising from revaluation of investment properties and undistributed profits of subsidiaries. Deferred taxation on undistributed profits of subsidiaries has been recognised taking into account the dividends to be distributed from profits earned by the subsidiaries in the PRC starting from 1 January 2008 under the relevant tax rules and regulations of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders.

Since prior years, Hong Kong Inland Revenue Department ("IRD") queried against a subsidiary of the Group regarding the chargeability of notional interest income received from an associate of the Group in the tax returns for the years of assessment 2005/06 to 2012/13. Up to 30 June 2019, the IRD has issued estimated/additional assessments demanding final tax (the "Assessments") for the years of assessment 2006/2007 to 2012/2013 and the Group has purchased tax reserve certificates of approximately HK\$134,750,000 for conditional standover order of objection against the notices of Assessments for the years of assessment 2006/2007 to 2012/2013 and the amount is presented as "other receivables" in the Group's condensed consolidated statement of financial position. In 2016, the IRD issued a letter informing the Group, that the IRD would put up the case for Commissioner's determination. Up to the date of issuance of these condensed consolidated financial statements, the statements of facts to be issued by commissioner are yet to be received. Having taken advices from tax representatives, the directors of the Company are of the view that there were ample grounds to contest the tax positions of the subsidiary of the Group for the relevant years of assessments and hence it is not probable that an outflow of resources will be required to settle this obligation and thus no provision is recognised.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 6. TAXATION (CONTINUED)

Also, since prior years, IRD queried against another subsidiary of the Group regarding the offshore income on the transactions between group entities in the tax return for the year of assessment 2007/2008. Up to 30 June 2019, the Group has purchased tax reserve certificate of approximately HK\$23,649,000 for conditional standover order of objection and the amount is presented as "other receivables" in the Group's condensed consolidated statement of financial position. In 2016, the IRD issued a letter informing the Group, that the IRD would put up the case for Commissioner's determination. Up to the date of issuance of the condensed consolidated financial statements, the statements of facts to be issued by Commissioner are yet to be received. Having taken advices from tax representatives, the directors of the Company are of the view that there were ample grounds to contest the tax positions of the subsidiary of the Group for the relevant year of assessment and hence it is not probable that an outflow of resources will be required to settle this obligation and thus no provision is recognised.

## 7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	5,390	—
Depreciation of other property, plant and equipment	25,371	26,454
Total	30,761	26,454
Release of prepaid lease payments	—	659
Fair value (gain) loss on other financial assets at FVTPL	(13,850)	3,675
Fair value loss on derivative financial instruments	—	4,941

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 8. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the interim period (six months ended 30 June 2018: nil). The directors resolved that no dividend will be paid in respect of the interim period (six months ended 30 June 2018: nil).

## 9. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(112,190)</u>	<u>123,871</u>

	Number of shares	
	30.6.2019	30.6.2018
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>3,541,112,832</u>	<u>3,541,112,832</u>

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$2,799,000 (six months ended 30 June 2018: HK\$961,000).

In previous years, the Group has provided an accumulated impairment of HK\$88,211,000 on the hotel buildings and related building improvement. As the actual results during the six months ended 30 June 2019 was approximate the previous budget, there is no impairment or reversal of impairment indicator being identified in current interim period.

During the current interim period, the Group entered into a new lease agreement for the use of office premises for 2 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$3,355,000 of right-of-use assets and lease liabilities.

## 11. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2019 (audited)	2,654,600
Exchange realignment	(12,067)
	<u>2,642,533</u>
At 30 June 2019 (unaudited)	<u>2,642,533</u>
Unrealised gain on property revaluation included in profit or loss	–
	<u>2,698,723</u>
At 1 January 2018 (audited)	2,698,723
Exchange realignment	(23,470)
Increase in fair value of investment properties	31,902
	<u>2,707,155</u>
At 30 June 2018 (unaudited)	<u>2,707,155</u>
Unrealised gain on property revaluation included in profit or loss	31,902
	<u>31,902</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 11. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties as at 30 June 2019 and 31 December 2018 have been arrived at on the basis of a valuation carried out on those dates by Messrs. Cushman & Wakefield Limited, independent qualified professional valuers not connected with the Group, and are the members of the Hong Kong Institute of Surveyors.

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

There has been no change from the valuation technique used in the prior year.

## 12. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand. The directors of the Company do not expect that the repayment will take place within twelve months from the end of the reporting period, and hence the amounts are classified as a non-current assets. The directors of the Company have assessed the fair value of the amounts due from the Group's associate, namely Rockefeller Group Asia Pacific, Inc. ("RGAP"), together with the loan receivable from RGAP amounting to HK\$451,632,000 as at 30 June 2019 (31 December 2018: HK\$567,146,000). Please refer to note 14 for the details.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 13. LOAN RECEIVABLES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Factoring loans receivables with recourse (note (i))	41,514	240,534
Designated loan receivable through a trust	–	114,155
Other loans receivables (note (ii))	<u>11,670</u>	<u>9,132</u>
	53,184	363,821
Less: allowance for credit loss	<u>(466)</u>	<u>(1,941)</u>
Total	<u><u>52,718</u></u>	<u><u>361,880</u></u>

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
The loan receivables analysed as follows:		
Current	52,718	360,389
Non-current	<u>–</u>	<u>1,491</u>
	<u><u>52,718</u></u>	<u><u>361,880</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 13. LOAN RECEIVABLES (CONTINUED)

Notes:

- (i) The Group granted factoring loans receivables to independent third parties, which the independent third parties have a portfolio of the receivables from providing loan to the underlying customers. According to the factoring agreements signed between the independent third parties and the Group, the legal title of the receivables of the underlying customers were transferred to the Group and the independent third parties are responsible for the management of the underlying customer receivables, including the collection of receivables from the underlying customers. Also, such receivable is guaranteed by the independent third parties and repayable by instalment based on the terms of the factoring agreement. In the event of default of repayment by the underlying customers, the Group has the right to request independent third parties to repurchase the outstanding receivables of the underlying customers plus accrued interest. The independent third parties are obliged to repay to the Group within 5 days upon their collection of money from the underlying customers, and the Group expects to realise such amounts by collecting the repayments from the independent third parties. The effective interest rates of the factoring loans receivables range mainly from 8.9% to 11.5% (31 December 2018: 6.4% to 16.0%) per annum as at 30 June 2019. The management of the Group reviews and assesses for impairment individually and continues to monitor whether there are any significant changes.

As at 30 June 2019 and 31 December 2018, entire factoring loans receivables are neither past due nor impaired.

- (ii) Other loans receivables to independent third parties are unsecured and carried interest rate ranged from 4.0% to 18.0% (31 December 2018: 4.0% to 4.4%) per annum.

As part of the Group's credit risk management, the debtors are assessed individually by the management of the Group as at 30 June 2019 and 31 December 2018 by reference to past default experience, current past due exposure of the debtor, the nature and prospect of the debtor's operation. The loss rate ranging from 0.1% to 1.3% (31 December 2018: 0.3% to 1.0%) is applied to the debtors. As at 30 June 2019, the impairment loss allowance on loans receivables is HK\$466,000 (31 December 2018: HK\$1,941,000).

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

During the current interim period, the Group reversed loss allowance of HK\$1,493,000 (six months ended 30 June 2018: provision for loss allowance of HK\$8,589,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 14. LOAN RECEIVABLE FROM ASSOCIATES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Shareholder's loan receivable – measured at FVTPL	1,221,997	1,289,063
Less: Share of loss and other comprehensive expenses of associate in excess of cost of investment	<u>(770,365)</u>	<u>(721,917)</u>
	<u><u>451,632</u></u>	<u><u>567,146</u></u>

The amount represents a shareholder's loan receivable from RGAP for financing a property development and property investment project in Shanghai, which carries a 20% coupon interest rate per annum and forms part of the net investment in RGAP. As the loan receivable is considered as a net investment, the Group has recognised its share of loss of RGAP in excess of the cost of investment against the loan receivable. The loan receivable including principal and interest is unsecured and has no fixed repayment terms. The directors of the Company consider that the loan receivable will not be repayable within one year from the end of the reporting period, it is classified as non-current asset accordingly.

Loan receivable from associates as well as the amounts due from associates as stated in note 12 represent an investment in the project of RGAP. In accordance with the investment agreement, the Group and the other shareholder contributed minimal amount of capital and substantially all portion of the associates' capital expenditures/ operations were funded through loan receivable from associates and amounts due from associates by the Group and a detailed analysis of the particular facts and circumstances at the date of origination of the advances led to the conclusion that the contractual cash flows of the advances did not represent purely a return on time value of money and credit risk. Hence, loan receivable from associates as well as the amounts due from associates are both measured at FVTPL. The directors of the Company assessed the fair value of the loan receivable from associates and amounts due from associates by taking into consideration the estimated future cash flows and timing of such cash flows discounted at market interest rate. Details of the valuation techniques and key inputs are stated in note 28.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 15. STOCK OF PROPERTIES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Properties under development	<u>869,057</u>	<u>867,991</u>

As at 30 June 2019, properties under development of HK\$869,057,000 (31 December 2018: HK\$867,991,000) represent the carrying amount of the properties expected to be completed more than one year from the end of the reporting period upon the Group's revision on the selling strategy over the properties under development.

## 16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Trade receivables from property management and property investment business	3,015	1,675
Trade receivables from financing services	<u>13,194</u>	<u>28,229</u>
	16,209	29,904
Less: allowance for credit loss	<u>(80)</u>	<u>(114)</u>
Total trade receivables	16,129	29,790
Interest receivables from bank deposits	38,475	23,092
Other receivables, deposits and prepayments	<u>36,586</u>	<u>38,711</u>
	<u>91,190</u>	<u>91,593</u>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Aged:		
0 to 60 days	2,204	1,049
61 to 180 days	357	283
Over 181 days	454	343
	<u>3,015</u>	<u>1,675</u>

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

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Aged:		
Over 181 days	<u>13,114</u>	<u>28,115</u>

The Group applies simplified approach to provide for expected credit losses ("ECL") prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 17. FINANCE LEASE RECEIVABLES

The Group purchased equipment from independent third parties and leased these equipment to lessees under finance leases. All leases are denominated in Renminbi ("RMB"). The term of finance leases entered into is one to two years.

	Minimum lease payments		Present value of minimum lease payments	
	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Not later than one year	69,422	96,904	51,875	84,221
More than one year but not exceeding two years	2,773	74,526	2,371	70,406
Less: Unearned finance income	<u>(17,949)</u>	<u>(16,803)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	54,246	154,627	54,246	154,627
Less: Impairment loss allowance	<u>(375)</u>	<u>(1,256)</u>	<u>(375)</u>	<u>(1,256)</u>
	<u>53,871</u>	<u>153,371</u>		
Less: amounts receivable within one year (shown as current asset)			<u>(51,598)</u>	<u>(84,221)</u>
Amount receivable after one year			<u>2,273</u>	<u>69,150</u>

The effective interest rates of the finance leases as at 30 June 2019 range from 9.2% to 12.8% (31 December 2018: 9.2% to 12.8%) per annum.

As at 30 June 2019, finance lease receivables of HK\$53,871,000 (31 December 2018: HK\$153,371,000) were guaranteed by related parties of customers and secured by the leased assets and customers' deposits. The title of the leased assets will be transferred to the customers with minimal consideration at the end of the term of leases.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

The finance lease receivables are secured over the leased assets, mainly machinery leased, as at 30 June 2019 and 31 December 2018. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee. Fair value of collateral are estimated during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is reassessed by reference to market value such as recent transaction price of the assets.

As at 31 December 2018, the directors of the Company do not consider finance lease receivables of HK\$143,836,000 from a lessee, which has past due finance lease receivables during the year, as in default in view of the financial position of the guarantors of this debtor and the settlement history according to the new repayment schedule after re-negotiation from the debtor and the guarantors of this debtor.

As at 30 June 2019, entire finance lease receivables are not past due.

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of finance lease receivables, the debtors are assessed individually by the management of the Group by reference to past default experience, current past due exposure of the debtor, as well as the nature and prospect of the debtor's operation. As at 30 June 2019, the loss rate ranging from 0.6% to 3.8% (31 December 2018: 0.8% to 1.5%) is applied to the debtors. As at 30 June 2019, the impairment loss allowance on loans receivables is HK\$375,000 (31 December 2018: HK\$1,256,000).

During the current interim period, the Group has reversed loss allowance of HK\$891,000 (six months ended 30 June 2018: provision for loss allowance of HK\$736,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Equity instruments at FVTOCI comprise:		
Domestic shares of an entity listed in Hong Kong, at fair value (note i)	1,440,511	1,790,137
Unlisted equity securities in Hong Kong, the PRC and overseas, at fair value	<u>111,942</u>	<u>104,821</u>
Total (note ii)	<u><u>1,552,453</u></u>	<u><u>1,894,958</u></u>

Notes:

- (i) The Group held domestic shares of ZhongAn Online P&C Insurance Co., Ltd. ("ZhongAn Online"), which the marketability of domestic shares is different from the publicly-traded ordinary share capital of ZhongAn Online ("ZhongAn Online H Shares"). The fair value of investment in Zhong An Online at 30 June 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out by an independent professional valuer not connected with the Group. Details of the fair value estimation are set out in note 28.
- (ii) The Group has made an irrevocable election to designate these investments in equity instruments as at FVTOCI.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 19. OTHER FINANCIAL ASSETS AT FVTPL

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Equity securities listed in Hong Kong	23,149	17,696
Equity securities listed in the PRC	55,574	66,372
Investments in Redeemable Preference Shares (note i)	542,763	600,000
Investments in redeemable convertible preference shares of an entity (note ii)	113,482	113,482
Senior notes listed in Hong Kong	2,355	–
Senior notes listed overseas	39,121	13,892
Coupon notes linked with listed equity securities	102,174	57,142
Unlisted fund investments in the PRC	100,465	373,289
Unlisted fund investments in overseas	84,654	62,673
	<u>1,063,737</u>	<u>1,304,546</u>
Current	407,492	1,304,546
Non-current	<u>656,245</u>	<u>–</u>
	<u>1,063,737</u>	<u>1,304,546</u>

Notes:

- (i) During current interim period, share of loss and other comprehensive expenses of associate in excess of cost of investment of HK\$57,237,000 was recognised against the redeemable preference shares of ZhongAn Technologies International Group Limited ("ZhongAn International") ("Redeemable Preference Shares").
- (ii) During the year ended 31 December 2018, the Group subscribed redeemable convertible preference shares in MMT E Buy (Cayman) Corporation ("MMT E Buy") with a cash consideration of HK\$113,482,000. As the rights and obligations of the ownership over these redeemable convertible preference shares are substantially different from the ownership of ordinary shares of the MMT E Buy, the Group's investment in these redeemable convertible preference shares is accounted for in accordance with HKFRS 9 and measured at FVTPL.

Details of the fair value estimation are set out in note 28.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 20. STRUCTURED DEPOSITS

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

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

### At 30 June 2019

Principal amount	Maturity	Annual coupon rate	Note
RMB272,000,000	July 2019 to September 2019	from 0.3% to 3.8%	(i)

### At 31 December 2018

Principal amount	Maturity	Annual coupon rate	Note
RMB210,000,000	January 2019 to August 2019	from 0.3% to 4.1%	(i)

Note:

- (i) The annual interest rate is dependent on whether 3 month London Inter Bank Offered Rate for deposits in United States Dollar falls within ranges as specified in the relevant deposit placements during the period from inception date to maturity date of the relevant agreements.

Because the contractual cash flows of structured deposits do not represent solely the payments of principal and interest on the principal amount outstanding, structured deposits are measured at FVTPL. Details of the fair value measurement over the structured deposits are disclosed in note 28.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 21. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Trade payables	31,813	39,807
Other payables for construction work	193,840	206,429
Deposits received for rental	32,784	38,151
Advance lease payments	21,546	16,471
Deposits received for management fee	47,969	40,893
Deposits received from customer of loans receivables	4,693	12,166
Other tax payables	19,850	20,945
Salaries payables and staff welfare payables	56,840	51,592
Other payables and accrued charges	71,285	74,934
	<u>480,620</u>	<u>501,388</u>

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

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Aged:		
0 to 90 days	4,873	5,808
91 to 180 days	568	1,529
181 to 360 days	1,436	125
Over 360 days	24,936	32,345
	<u>31,813</u>	<u>39,807</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 22. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 (audited) and 30 June 2019 (unaudited)	<u>6,000,000,000</u>	<u>600,000</u>
Issued and fully paid:		
At 1 January 2018, 31 December 2018 (audited) and 30 June 2019 (unaudited)	<u>3,541,112,832</u>	<u>354,111</u>

## 23. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties during the period.

Name of related party	Nature of transaction	Six months ended	
		30.6.2019 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)
Associate:			
Shanghai Bund de Rockefeller Group Master Development Co., Ltd.	Project management fee income	<u>13,098</u>	<u>13,098</u>

During the current interim period, the emoluments of key management personnel were HK\$7,308,000 (six months ended 30 June 2018: HK\$8,514,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 24. CONTINGENT LIABILITIES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	<u>11,889</u>	<u>12,725</u>

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts at initial recognition were not significant and it is not probable that the counterparties would default on the relevant loans.

## 25. COMMITMENTS

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Commitments in respect of properties under development for sale: - contracted for but not provided in the condensed consolidated financial statements	<u>39,959</u>	<u>37,184</u>

## 26. PLEDGE OF ASSETS

At 30 June 2019, pledged bank deposits of HK\$773,139,000 (31 December 2018: HK\$776,857,000), structured deposits of HK\$115,909,000 (31 December 2018: HK\$116,438,000) and investment properties with an aggregate carrying amount of HK\$526,136,000 (31 December 2018: HK\$528,539,000) were pledged to banks to secure general banking facilities granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 27. SHARE-BASED PAYMENTS

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

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

	Number of share options
At 1 January 2018 (audited) and 30 June 2018 (unaudited)	<u>114,000,000</u>
At 1 January 2019 (audited) and 30 June 2019 (unaudited)	<u>114,000,000</u>
Exercisable at 30 June 2019	<u>114,000,000</u>

In relation to the options granted to directors of the Company, 50% of the options will vest six months after the grant date and remaining 50% of the options will vest twelve months after the grant date. In relation to the options granted to employees, 50% of the options will vest 6 months after the grant date, 25% of the options will vest twelve months after the grant date and remaining 25% of the options will vest eighteen months after the grant date. The share option is exercisable from the completion of vesting period to 14 May 2025 with exercise price of HK\$1.37.

As at 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 114,000,000 (31 December 2018: 114,000,000), representing 3.2% (31 December 2018: 3.2%) of the shares of the Company in issue at that date.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### *FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

*FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)*

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)
	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)		
Domestic shares of an entity listed in Hong Kong classified as equity instruments at FVTOCI	1,440,511	1,790,137	Level 3	Average-price Asian Put Option model (note i)
Unlisted equity securities classified as equity instruments at FVTOCI	111,942	104,821	Level 2	Net asset value of the entity (i.e. fair value of the portfolio included in the entity)
Unlisted fund investments classified as financial assets at FVTPL	185,119	435,962	Level 2	Net asset value of fund (i.e. fair value of the portfolio included in the fund)
Investments in listed equity securities held-for-trading	78,723	84,068	Level 1	Quoted bid prices in an active market
Redeemable Preference Shares classified as financial assets at FVTPL	542,763 (note v)	600,000	Level 3	Discounted cash flow based on the estimated future cash flows that are discounted at rate of 4.4% (31 December 2018: 5.5%) (note ii)
Redeemable convertible preference shares classified as financial assets at FVTPL	113,482	113,482	Level 3	Direct comparison approach for business value and Black Scholes Option Pricing model for equity allocation (note iii)
Coupon notes linked with listed equity securities classified as financial assets at FVTPL	102,174	57,142	Level 3	Quoted prices from financial institutions
Investment in listed senior notes	41,476	13,892	Level 2	Recent transaction prices
Structured bank deposits	309,091	239,726	Level 3	Quoted prices from financial institutions
Loan receivable from associates	451,632	567,146	Level 3	Discounted cash flow based on the estimated future cash flows (including the key input of growth rate of 2.8% (31 December 2018: 2.8%)) that are expected to be received by the Group as well as the estimated timing of such receipts, discounted at a rate that reflects the credit risk of the associates of 17.3% (31 December 2018: 18.5%) (note iv)
Amounts due from associates	125,593	125,537	Level 3	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

### *FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)*

Notes:

- (i) The key inputs of valuation of ZhongAn Online's domestic shares at fair value included (i) share price of ZhongAn Online H Shares as at 30 June 2019 of HK\$21.45 (31 December 2018: HK\$25.05) per share; and (ii) discount for lack of marketability. The discount for lack of marketability is determined based on Average-price Asian put option model with unobservable inputs of (i) expected time for conversion of domestic shares to listed shares of 3 years (31 December 2018: 3 years), (ii) volatility of ZhongAn Online H Shares of 46% (31 December 2018: volatility of comparable entities in the same industry of ZhongAn Online of 30%); and (iii) expected dividend yield of 0% (31 December 2018: 0%).

A 1 year increase/decrease in expected time for conversion holding all other variables constant would decrease/increase the fair value on ZhongAn Online's domestic shares by HK\$52,071,000/HK\$34,714,000 (31 December 2018: HK\$20,341,000/HK\$40,683,000). A 5% increase/decrease volatility holding all other variables constant would decrease/increase the fair value on ZhongAn Online's domestic shares by HK\$34,714,000/HK\$17,357,000 (31 December 2018: HK\$20,341,000/HK\$40,683,000). A 5% increase in expected dividend yield all other variables constant would increase the fair value on ZhongAn Online's domestic shares by HK\$34,714,000 (31 December 2018: HK\$40,683,000).

- (ii) A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the fair value of Redeemable Preference Shares by HK\$22,229,000/HK\$22,511,000 (31 December 2018: HK\$25,658,000/HK\$25,658,000).

- (iii) The key inputs of valuation of redeemable convertible preference shares at fair value included (i) total return of comparable entities in the same industry of MMT E Buy of -69% (31 December 2018: -70%) and (ii) volatility of comparable of 75% (31 December 2018: 68%). A 5% increase/decrease in total return holding all other variables constant would increase/decrease the fair value of redeemable convertible preference shares by HK\$8,902,000/HK\$9,556,000 (31 December 2018: HK\$9,235,000/HK\$10,026,000). A 5% increase/decrease in volatility holding all other variables constant would decrease/increase the fair value of redeemable convertible preference shares by HK\$1,913,000/HK\$1,948,000 (31 December 2018: HK\$1,941,000/HK\$1,973,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

### *FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)*

- (iv) A 0.5% increase/decrease in the growth rate holding all other variables constant would increase/decrease the fair value on loan receivable from associates and amounts due from associates by HK\$65,130,000/HK\$33,346,000 (31 December 2018: HK\$46,792,000/HK\$54,593,000) and HK\$6,440,000/HK\$16,564,000 (31 December 2018: HK\$8,617,000/HK\$9,444,000), respectively. A 0.5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the fair value on loan receivable from associates and amounts due from associates by HK\$41,603,000/HK\$59,191,000 (31 December 2018: HK\$49,604,000/HK\$50,088,000) and HK\$18,493,000/HK\$5,053,000 (31 December 2018: HK\$8,575,000/HK\$8,664,000), respectively.
- (v) As at 30 June 2019, HK\$57,237,000 share of loss and other comprehensive expenses of associate in excess of cost of investment was recognised against the Redeemable Preference Shares.

There were no transfers between Level 1, 2 and 3 during the current period.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated statement of financial position approximate their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

*FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)*

*Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities*

	Other financial assets at FVTPL HK\$'000	Available- for-sales investments HK\$'000	Loan receivable from associates HK\$'000	Amounts due from associates HK\$'000	Financial assets at FVTOCI HK\$'000	Structured assets at bank deposits HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	131,655	4,807,679	–	–	–	–	4,939,334
Reclassification upon application of HKFRS 9	–	(4,807,679)	1,207,906	170,744	4,807,679	577,751	1,956,401
Remeasurement from amortised cost to fair value upon application of HKFRS 9	–	–	(311,939)	(30,289)	–	–	(342,228)
Purchase	1,053,133	–	–	–	–	–	1,053,133
Disposal/settlement	(399,795)	–	–	–	–	–	(399,795)
Placement of structured deposits	–	–	–	–	–	1,208,973	1,208,973
Withdrawal of structured deposits	–	–	–	–	–	(1,531,287)	(1,531,287)
Advance to associates	–	–	–	14,299	–	–	14,299
Share of results of associates	–	–	(158,563)	–	–	–	(158,563)
Currency realignment	–	–	(34,536)	(6,464)	(123,729)	(15,711)	(180,440)
Fair value change to profit or loss	(14,369)	–	(135,722)	(22,753)	–	–	(172,844)
Fair value change to other comprehensive income	–	–	–	–	(2,893,813)	–	(2,893,813)
At 31 December 2018 (audited)	770,624	–	567,146	125,537	1,790,137	239,726	3,493,170
Purchase	204,457	–	–	–	–	–	204,457
Disposal/settlement	(173,899)	–	–	–	–	–	(173,899)
Placement of structured deposits	–	–	–	–	–	196,759	196,759
Withdrawal of structured deposits	–	–	–	–	–	(125,000)	(125,000)
Advance to associates	–	–	–	6,951	–	–	6,951
Share of results of associates	(57,237)	–	(48,448)	–	–	–	(105,685)
Currency realignment	–	–	–	–	(1,813)	(2,394)	(4,207)
Fair value change to profit or loss	14,474	–	(67,066)	(6,895)	–	–	(59,487)
Fair value change to other comprehensive income	–	–	–	–	(347,813)	–	(347,813)
At 30 June 2019 (unaudited)	758,419	–	451,632	125,593	1,440,511	309,091	3,085,246



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 29. SHARE OF RESULTS OF ASSOCIATES

During the period ended 30 June 2019, the Group's share of loss from ZhongAn International is HK\$61,103,000 mainly because of staff costs for initial technology development.

## 30. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 18 July 2019, the Company has entered into the a share subscription agreement pursuant to which the Company will subscribe for an aggregate of 980,000,000 new ordinary shares of ZhongAn International for a total subscription price of RMB960,784,000 payable in cash. The share subscription agreement is subjected to approval from special general meeting to be held on 4 September 2019. No subscription is made up to report date.

On 26 July 2019, the Company paid to the ZhongAn International HK\$106,276,000 in cash to subscribe additional 93,549,500 Redeemable Preference Shares of RMB1 each.