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If you have sold or transferred all your Shares in **Sinolink Worldwide Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

**MAJOR TRANSACTION
ADDITIONAL CAPITAL CONTRIBUTION TO
ZHONGAN TECHNOLOGIES INTERNATIONAL GROUP LIMITED**

A letter from the Board is set out on pages 4 to 16 of this circular.

This circular is despatched to the Shareholders for information purpose only, and written Shareholders' approval have been obtained in lieu of holding a general meeting of the Company pursuant to the Listing Rules.

* *For identification purpose only*

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“%”	per cent;
“Additional Sinolink Subscription”	the subscription by the Company of 156,060,606 new JV Co Ordinary Shares for a subscription price of US\$102,999,999.96 pursuant to the terms and conditions of the Share Purchase Agreement;
“Announcement”	the announcement of the Company dated October 27, 2021 regarding the Previous Sinolink Subscription;
“Board”	the board of Directors;
“Business Day(s)”	any day that is not a Saturday, Sunday, legal holiday or a day on which banks are required to be closed in Hong Kong or the PRC;
“Circular”	the circular of the Company dated December 1, 2021 regarding the Previous Sinolink Subscription;
“Company”	Sinolink Worldwide Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1168);
“Closing”	the closing of the Additional Sinolink Subscription, which took place on September 14, 2022 in accordance with the terms and conditions of the Share Purchase Agreement;
“Director(s)”	the director(s) of the Company;
“Fintech”	financial technology;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Insurtech”	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model;
“Investors”	the Company, ZhongAn Technology, Warrior and the Opportunities Fund, with respect to the JV Co Ordinary Shares each of them already subscribed for;

DEFINITIONS

“JV Co”	ZhongAn Technologies International Group Limited (眾安科技(國際)集團有限公司), a Hong Kong limited liability company jointly invested by the investors;
“JV Co Ordinary Shares”	the voting ordinary shares in the share capital of JV Co;
“Latest Practicable Date”	December 23, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended and supplemented from time to time);
“Main Board”	the Main Board of the Stock Exchange;
“Mr. Tang”	Mr. Tang Yui Man Francis, a non-executive Director of the Company;
“Mr. Ou”	Mr. Ou Yaping, a non-executive Director of the Company;
“Mrs. Ou”	Ms. Cheung Loi Ping, the spouse of Mr. Ou;
“Opportunities Fund”	AIA VCC for a/c of AIA Opportunities Fund — Venture Capital 2021, one of the Investors;
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the People’s Republic of China;
“Previous Sinolink Subscription”	the subscription of an aggregate of 74,212,258 JV Co Ordinary Shares by the Company for a subscription price of approximately US\$49 million, the details of which are set out in the Announcement and the Circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company (or of such other nominal amount as shall result from a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Shareholder(s)”	the holder(s) of shares of the Company;
“Shareholders Agreement”	the shareholders agreement entered into on September 2, 2022 between the Investors and JV Co in relation to the rights and obligations between and among the Investors and JV Co;

DEFINITIONS

“Share Purchase Agreement”	the share purchase agreement entered into among the Company, JV Co, ZhongAn Technology, Warrior and the Opportunities Fund in relation to the Additional Sinolink Subscription dated September 2, 2022;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Transaction Documents”	the Share Purchase Agreement, the Shareholders Agreement, the Restated Articles and any other document, certificate, and agreement delivered in connection with the Additional Sinolink Subscription;
“US\$”	United States dollars, the lawful currency of the United States;
“Warrior”	Warrior Treasure Limited, an investment holding limited liability company incorporated under the laws of the British Virgin Islands, one of the Investors;
“ZAOIL”	ZhongAn Online P & C Insurance Co., Ltd.* (眾安在綫財產保險股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and carrying on business in Hong Kong as “ZA Online Fintech P & C” whose H shares are listed on the Main Board of the Stock Exchange (stock code: 6060); and
“ZhongAn Technology”	ZhongAn Information Technology Services Co., Ltd.* (眾安信息技術服務有限公司), a wholly-owned subsidiary of ZAOIL, incorporated in the PRC on July 7, 2016.

* *for identification purposes only*

LETTER FROM THE BOARD



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

28th Floor
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

December 29, 2022

To Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
ADDITIONAL CAPITAL CONTRIBUTION TO
ZHONGAN TECHNOLOGIES INTERNATIONAL GROUP LIMITED**

INTRODUCTION

References are made to (i) the Announcement and the Circular regarding the additional capital contribution into JV Co; and (ii) the Company's announcement dated September 2, 2022 regarding the Additional Sinolink Subscription.

On September 2, 2022, the Company entered into the Share Purchase Agreement with JV Co, ZhongAn Technology, Warrior and the Opportunities Fund, pursuant to which the Company conditionally agreed to subscribe for, and JV Co conditionally agreed to issue and allot 156,060,606 new JV Co Ordinary Shares for a subscription price of US\$102,999,999.96. As of September 2, 2022 (being the date of the Company's announcement regarding the Additional Sinolink Subscription), the

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voting interest in JV Co was held as to approximately 47.32% by ZhongAn Technology, approximately 41.50% by the Company, approximately 8.33% by Warrior and approximately 2.85% by the Opportunities Fund, respectively. Upon the Closing, the voting interest in JV Co was held as to approximately 44.70% by ZhongAn Technology, approximately 44.75% by the Company, approximately 7.86% by Warrior, and approximately 2.69% by the Opportunities Fund, respectively. JV Co remains as an associate of the Company. The purpose of this circular is to provide you with, among others, (i) further details regarding the Additional Sinolink Subscription; (ii) the financial information of the Group; and (iii) the financial information of JV Co.

MATERIAL TERMS OF THE SHARE PURCHASE AGREEMENT

The material terms of the Share Purchase Agreement are as follows:

Date

September 2, 2022

Parties

- (i) the Company;
- (ii) JV Co;
- (iii) ZhongAn Technology;
- (vi) Warrior; and
- (v) the Opportunities Fund.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ZhongAn Technology, Warrior and the Opportunities Fund and their respective controlling shareholder(s) are third parties independent of the Company and its connected persons.

Pursuant to the terms and conditions of the Share Purchase Agreement, the Company conditionally agreed to subscribe for 156,060,606 new JV Co Ordinary Shares for a subscription price of US\$102,999,999.96, which represents a subscription price of US\$0.66 per JV Co Ordinary Share.

The subscription price is determined after arm's length negotiations among the parties taking into account market conditions, the subscription price of the Previous Sinolink Subscription and the previous fundraising conducted by JV Co in March 2022, the business and growth prospects of JV Co and the financial needs of JV Co for the operation and expansion of its business. The subscription price for the Additional Sinolink Subscription payable to JV Co was funded by internal resources of the Company.

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Conditions precedent

The Additional Sinolink Subscription shall be conditional upon the satisfaction or waiver of, among others, the following conditions:

- (i) the representations and warranties of each of JV Co and the Company remaining true and correct and not misleading as of the date of the Closing;
- (ii) each of JV Co and the Company having performed and complied with all agreements, obligations and conditions contained in the Share Purchase Agreement;
- (iii) all consents of any competent governmental authority or of any other person that are required to be obtained in connection with the Share Purchase Agreement (other than the consents that are required to be obtained at or after the Closing) having been duly obtained and effective as of the date of the Closing;
- (iv) all corporate and other proceedings in connection with the transactions contemplated under the Share Purchase Agreement and all documents and instruments incidental to such transactions being reasonably satisfactory in form and substance to the Company;
- (v) the articles of association of JV Co in effect as of the date of the Share Purchase Agreement having been duly amended (the “**Restated Articles**”);
- (vi) the parties having executed and delivered the Transaction Documents; and
- (vii) there having been no material adverse effect on the financial condition, business, prospects or operations of JV Co and its subsidiaries taken as a whole since the date of the Share Purchase Agreement.

The conditions precedent in respect of JV Co may be waived by the Company in writing and the conditions precedent in respect of the Company may be waived by JV Co in writing.

Closing

Closing shall take place no later than ten Business Days after the satisfaction or waiver of each of the aforementioned conditions precedent, or at such other time and place as JV Co and the Company shall mutually agree in writing.

All conditions precedent of the Additional Sinolink Subscription have been fulfilled and the Closing took place on September 14, 2022.

Termination

The Share Purchase Agreement may be terminated prior to the Closing (a) by mutual written consent of the parties, (b) by the Company or JV Co, if the Closing has not been consummated on or prior to December 31, 2022, provided that no party shall be entitled to terminate the Share Purchase Agreement if such party is responsible for the failure of the Closing prior to such date, (c) solely with respect to the transactions under the Share Purchase Agreement between the Company and JV Co, by

LETTER FROM THE BOARD

the non-defaulting party, if a material breach of the Share Purchase Agreement has been committed by one party and such breach has not been waived or cured within 30 days after the receipt of the notice by the other party thereof, and such termination shall not relieve the breaching party of liability for such breach or otherwise.

THE SHAREHOLDERS AGREEMENT

The Share Purchase Agreement provides that the execution and delivery of the Shareholders Agreement is a condition precedent to the Closing, a summary of which is set out below.

Board composition of JV Co

ZhongAn Technology shall be entitled to nominate three directors, and the Company shall be entitled to nominate one director. Prior to the Closing, the board of directors of JV Co consisted of four directors, namely Ou Jin Yi Hugo, Song Xuanbi, Xu Wei (as the nominees of ZhongAn Technology) and Mr. Tang (as the nominee of the Company). The board of JV Co remains unchanged upon the Closing. The quorum for meeting of the board of directors of JV Co shall require the presence of the majority of the members of the board of directors in office, provided that at least one director nominated by each of ZhongAn Technology and the Company is present. Certain reserved matters such as changing auditors, declaration of dividend and amendment articles shall be approved by the board by a vote of simple majority with the approval by at least one director nominated by each of ZhongAn Technology and the Company.

Pre-emptive right

If JV Co issues any new equity interests, each of the JV Co shareholders shall have a pre-emptive right to purchase their pro rata share of all or any part of such new equity interests.

Restrictions on Transfer

Except as permitted under the Shareholders Agreement, none of the JV Co shareholders shall itself, nor shall it permit its affiliates to sell, assign, transfer, encumber, hypothecate, pledge or otherwise alienate or dispose of, directly or indirectly (“**Transfer**”) all or any part of its JV Co Ordinary Shares without the prior written consent of other JV Co shareholders.

Rights of first refusal

If any JV Co shareholder proposes to Transfer all or any part of its JV Co Ordinary Shares, then all other JV Co shareholders shall have a right of first refusal to purchase such JV Co Ordinary Shares on a pro rata basis in accordance with the Shareholders Agreement.

Co-sale right

In the event that any of ZhongAn Technology, the Company and/or Warrior proposes to effect a Transfer of its JV Co Ordinary Shares (the “**Selling Shareholder**”) subject to the Investors’ co-sale right and to the extent that the Investors do not exercise their respective rights of first refusal pursuant to the Shareholders Agreement, the Investors shall have the right to participate in the sale of equity interest in JV Co to a third party by the Selling Shareholder for the same price and on the same terms and conditions as those offered by the Selling Shareholder.

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Anti-dilution

In the event that at any time after the Closing, JV Co issues any new securities without consideration or for a consideration per JV Co Ordinary Share received by JV Co (net of any selling concessions, discounts or commissions) that is less than the original purchase price at which the Investors subscribed for its JV Co Ordinary Shares (the “**Original Purchase Price**”), the Original Purchase Price shall be adjusted in accordance with the Shareholders Agreement and JV Co shall issue additional number of JV Co Ordinary Shares to each of such Investors upon such adjustment.

REASONS FOR AND BENEFITS OF THE ADDITIONAL SINOLINK SUBSCRIPTION

The principal business activities of the Company are increasingly focusing on Fintech investment and management, along with property development, property management, property investment, financial services and asset financing. Meanwhile, the Company has also been actively exploring opportunities to promote Fintech development via various means, including the establishment of JV Co with ZhongAn Technology. Investment in JV Co enables the Company to partner with ZhongAn Technology to explore international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech.

JV Co, as a Fintech company, will take time to build and require substantial upfront investment in development of hardware and underlying technologies before it is capable of generating profit. Fintech industry is fast growing and it is believed that the industry may dramatically alter the financial services model in the coming decade. The Board considers that the investment by the Company in JV Co is a long-term investment and believes that the performance of JV Co 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 further investment in JV Co presents numerous opportunities which are beneficial to the Company.

The Additional Sinolink Subscription will provide additional working capital and greater financial flexibility to JV Co 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. In view of the expansion plan of the Company’s Fintech business, namely the Fintech business carried on through ZA Bank Limited (an indirect wholly-owned subsidiary of JV Co), the Additional Sinolink Subscription will enable the Company to better align its investment objectives and strategy to achieve more stable return in respect of its investment in JV Co.

On the basis of the above, the Directors (including the independent non-executive Directors) are of the view that the Share Purchase Agreement has been entered into on normal commercial terms, and the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ou, being a non-executive Director of the Company and a non-executive director and the chairman of ZAOIL, and Mr. Ou Jin Yi Hugo, being a non-executive Director of the Company and ZAOIL, had abstained from voting on the relevant resolutions of the Board in relation to the Additional Sinolink Subscription and matters contemplated therein.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ADDITIONAL SINOLINK SUBSCRIPTION

As at the date of this circular, the voting interest in JV Co is held as to approximately 44.70% by ZhongAn Technology, approximately 44.75% by the Company, approximately 7.86% by Warrior, and approximately 2.69% by the Opportunities Fund, respectively. JV Co remains as an associate of the Company. The interests in JV Co will continue to be accounted for in the financial statements of the Group as interests in an associate using equity method of accounting.

It is the intention of the Group to finance the Additional Sinolink Subscription by the internal resources of the Company. As a result, it is expected that the total assets, total liabilities and earnings of the Group will not change as a result of the Additional Sinolink Subscription. The “investment in associates — in JV Co” will increase by an amount of HK\$806,490,000, while the corresponding financial effects will be reflected by way of a decrease in “cash and bank balances” by the same amount of HK\$806,490,000. Given these financial effects, the Directors are of the view that the Additional Sinolink Subscription will not have any material financial effects on the net asset value or the earnings of the Group.

INFORMATION ON THE PARTIES

The Company

The principal business activity of the Company are increasingly focused on Fintech investment and management, while it is also engaged in property development, property management, property investment, financial services and asset financing.

JV Co

JV Co is a company incorporated in Hong Kong with limited liability and is a non-wholly-owned subsidiary of ZAOIL. JV Co was established to explore international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech, including virtual banking and digital-only insurance in Hong Kong and technology export in overseas market.

Set out below is certain selected financial information of JV Co based on its audited consolidated financial statements as at or for the years ended December 31, 2021 and 2020.

	As at/ For the year ended December 31, 2021 audited HK\$'000	As at/ For the year ended December 31, 2020 audited HK\$'000
Total equity	3,535,480	2,615,113
Loss before tax	(849,113)	(609,805)
Net loss for the year	(849,338)	(609,878)
Net loss attributable to owners of JV Co	(759,617)	(496,440)

LETTER FROM THE BOARD

The audited consolidated net asset value of JV Co was HK\$3,535,480,000 as at December 31, 2021.

As at the date of this circular, the voting interest in JV Co is held as to approximately 44.70% by ZhongAn Technology, approximately 44.75% by the Company, approximately 7.86% by Warrior, and approximately 2.69% by the Opportunities Fund, respectively. JV Co remains as an associate of the Company.

As at the Latest Practicable Date, the operating subsidiaries of JV Co are as follows:

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage interest held by JV Co	Principal activities
Asia Fintech Center Pte. Ltd.	Singapore	November 27, 2020	49%	Innovation Lab
PT ZATech Global Indonesia	Indonesia	April 1, 2021	49%	Technology Development/ Technology Consulting
ZA Bank Limited (眾安銀行有限公司) ("ZA Bank")	Hong Kong	August 8, 2018	100%	Virtual Bank
ZA Care Limited (眾安關懷有限公司)	Hong Kong	May 23, 2019	100%	Technology
ZA International Financial Services Limited (眾安國際金融服務有限公司)	Hong Kong	December 4, 2019	100%	Technology Development/ Technology Consulting
ZA International Insurance Broker Limited (眾安國際保險經紀有限公司)	Hong Kong	May 15, 2018	100%	Insurance Brokerage
ZA Life Limited (眾安人壽有限公司) ("ZA Insure")	Hong Kong	February 27, 2019	65%	Life Insurance
ZA Tech (Thailand) Co., Ltd.	Thailand	December 2, 2022	49%	Technology Development/ Technology Consulting

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Name of subsidiary	Place of incorporation	Date of incorporation	Percentage interest held by JV Co	Principal activities
ZA Tech Global (Cayman) Limited	Cayman Islands	June 14, 2018	49%	Technology Development/ Technology Consulting
ZA Tech Global (Ireland) Limited	Dublin, Ireland	March 2, 2020	49%	Technology Development/ Technology Consulting
ZA Tech Global (Singapore) Pte. Ltd.	Singapore	April 16, 2019	49%	Technology Development/ Technology Consulting
ZA Tech Global Limited (“ZA Tech”)	Hong Kong	May 28, 2018	49%	Technology Development/ Technology Consulting
ZATech Global Holding Pte. Ltd.	Singapore	December 8, 2021	49%	Investment Holding
ZA Tech Global (Malaysia) Sdn. Bhd.	Malaysia	April 18, 2022	49%	Technology Development/ Technology Consulting
ZhongAn (Shenzhen) Technology Consulting Co., Ltd.* (眾安(深圳)科技諮詢服務有限公司)	PRC	December 7, 2020	100%	Technology Development/ Technology Consulting
ZhongAn Digital Asset Group Limited (眾安數字資產集團有限公司)	British Virgin Islands	September 2, 2019	100%	Digital Asset
ZhongAn Financial Services Limited (眾安金融服務有限公司)	Hong Kong	August 3, 2018	100%	Investment holding

LETTER FROM THE BOARD

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage interest held by JV Co	Principal activities
ZA Tech Brokers Thailand Co., Ltd.	Thailand	August 28, 2007	36.25%	Insurance Brokerage
Piculet Holding (Thailand) Co., Ltd.	Thailand	July 31, 2020	24.01%	Investment Holding
Zebra Credit Limited	Hong Kong	March 8, 2022	100%	Money Lender

* *For identification purpose only*

Mr. Ou Yaping is the chairman and a non-executive director of ZAOIL and a non-executive director of ZhongAn Financial Services Limited (眾安金融服務有限公司), a non-executive director of ZA Bank and the chairman and a director of ZA Insure. Mr. OU Jin Yi Hugo is a non-executive director of ZAOIL and a director of JV Co and certain of its major subsidiaries, including ZhongAn Financial Services Limited (眾安金融服務有限公司) and ZA Bank where he is a non-executive director and ZA Tech.

JV Co provides technology developments, technology consulting and banking services to its customers and direct underwriting of long-term insurance business. ZA Bank, ZA Insure and ZA Tech are the three major operating subsidiaries of JV Co. In 2021, the main revenue stream of JV Co composed of revenue from banking operations amounted to approximately HK\$235 million, insurance amounted to approximately HK\$127 million and technology developments and consulting amounted to approximately HK\$304 million.

ZA Bank

JV Co actively participates in Fintech innovation in Hong Kong and ZA Bank became one of the first banks in Hong Kong to be granted a virtual banking license on March 27, 2019. On March 24, 2020, ZA Bank officially became the first virtual bank in Hong Kong, providing Hong Kong residents with breakthrough banking products and services. Within just over two years of its official opening, ZA Bank has always adhered to the concept of innovation and integrity, and users first (創新守正、用戶為先). With its innovative and safe products and services, ZA Bank has injected new vitality into the digital development of Hong Kong's financial industry. As of June 30, 2022, ZA Bank has won the trust and support from over 600,000 retail users. The balance of deposits reached over HK\$8 billion, and the balance of loans reached over HK\$4 billion. In January 2022, ZA Bank has become the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the Securities and Futures Commission, and is ready to further upgrade users' investment and wealth management experience.

LETTER FROM THE BOARD

So far, ZA Bank has become one of the virtual banks with the most comprehensive product line in Hong Kong, providing users with 24-hour digital banking services such as deposits, loans, transfers, consumption, insurance, investment and commercial banking. It is a virtual bank that is a one-stop personal integrated wealth management platform covering banking, investment and insurance services. Through a fully digital operation model, ZA Bank can fully meet the financial needs of the public.

In April 2022, ZA Bank and Generali Life (Hong Kong) Limited (“**Generali Hong Kong**”) announced the cooperation in bancassurance business, which is the first partnership in Hong Kong formed by an internationally renowned insurance company and Hong Kong’s leading virtual bank. The cooperation combines the centuries-old knowledge of Generali Hong Kong and the Fintech advantages of ZA Bank, with the common goal of providing superior innovative financial products to allow customers to manage their personal finances and security more flexibly and independently. Generali Hong Kong has launched life insurance products on the ZA Bank App. The first phase of the partnership launched 5 comprehensive life products, including critical illness, savings, retirement, qualifying deferred annuity policies and premium refundable life plans.

In June 2022, ZA Bank took advantage of the Hong Kong government’s launch of the 2022 (Phase 2) Consumption Voucher Scheme, and launched an account opening discount with Octopus, the stored value payment tool that most Hong Kong citizens choose to receive consumer vouchers. The cooperation integrates ZA Bank’s market-leading innovative services with the advantages of ZA Bank App’s convenience and ease of use, together with Octopus’ huge user and merchant network, to jointly promote the development of Hong Kong’s digital economy in the post-pandemic era, and provide citizens with warm financial products and services.

ZA Insure

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

With the advantage of JV Co’s dual licenses, ZA Insure has partnered with ZA Bank to bring Hong Kong’s first virtual bank and fully digital insurance company to users through the ZA Bank App. The three-year “ZA Savings Insurance” launched last year has been well received by users. Partnering with ZA Bank again in the first half of 2022, ZA Insure further launched “ZA Savings Insurance 2”, with the guaranteed average return of up to 2.5%¹ per annum persisted, to help users achieve their financial goals flexibly. At present, users can obtain insurance products provided by ZA Insure in the ZA Bank App in as soon as 3 minutes.

¹ “guaranteed 2.5% p.a. return” refers to the Internal Rate of Return (IRR) of the policy at the end of the 3rd policy year (maturity), assuming no partial or full surrender has been made.

LETTER FROM THE BOARD

ZA Tech

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

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

In April 2022, ZA Tech became the latest investor of Aladin Bank, the first Islamic digital bank in Indonesia. In the future, we will strive to play the dual roles of investors and business partners, and actively expand the business ecosystem for Aladin Bank. Both parties will focus on long-term strategic cooperation, including but not limited to product and technology sector. Aladin Bank, as a Future Sharia Bank, is committed to expanding the Islamic finance territory in Indonesia. This investment partnership demonstrates ZhongAn's commitment to promoting financial inclusion in Indonesia and is a product of the combination of Islamic digital banking services and Insurtech that will provide more choices for the general public. By conducting insurance transactions through modern digital means, a wider group of people can have access to digital insurance products at a more affordable price.

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

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

ZhongAn Technology

ZhongAn Technology is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of ZAOIL. ZAOIL is a joint stock limited company incorporated in the PRC with limited liability and carrying on business in Hong Kong as “ZA Online Fintech P & C” whose H shares are listed on the Main Board of the Stock Exchange (stock code: 6060). ZhongAn Technology is principally engaged in the business of technology development and technology consulting. ZAOIL is the first internet-based Insurtech company in the PRC and is principally engaged in the provision of insurance products and solutions in the context of four major ecosystems, namely health, digital lifestyle, consumer finance, and auto ecosystems.

LETTER FROM THE BOARD

Warrior

Warrior is a company incorporated in the British Virgin Islands with limited liability. Its principal business activity is investment holding. It is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is held by the Cheng Yu Tung family.

The Opportunities Fund

The Opportunities Fund, a variable capital company incorporated in Singapore, is part of AIA Group Limited's group-wide investment programme to facilitate capital deployment globally with a particular focus on balance sheet exposure to specialist and alternative investments. AIA Group Limited is a company listed on the Main Board of the Stock Exchange (stock code: 1299) and based on its latest published annual report, it does not have any controlling shareholders.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Additional Sinolink Subscription, when aggregated with the Previous Sinolink Subscription pursuant to Rule 14.22 of the Listing Rules as the Additional Sinolink Subscription was conducted within 12 months of the Previous Sinolink Subscription, exceed 25% but are less than 100%, the entering into of the Share Purchase Agreement and the consummation of the Additional Sinolink Subscription would constitute a major transaction of the Company and are subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Additional Sinolink Subscription or the transactions contemplated thereunder. As such, none of the Shareholders would be required to abstain from voting if a general meeting were to be convened by the Company to approve the Share Purchase Agreement and the Additional Sinolink Subscription, a written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The Company has obtained an irrevocable and unconditional written approval for the Share Purchase Agreement and the Additional Sinolink Subscription from a closely allied group of Shareholders comprising (i) Asia Pacific Promotion Limited who holds 3,272,309,301 Shares, representing approximately 51.34% of the total issued share capital of the Company; (ii) Mr. & Mrs. Ou who hold 13,113,738 Shares, representing approximately 0.21% of the total issued share capital of the Company; (iii) Mr. Tang who holds 21,375,000 Shares, representing approximately 0.34% of the total issued share capital of the Company; and (iv) Mr. Chen Wei who holds 13,500,000 Shares, representing approximately 0.21% of the total issued share capital of the Company, which in aggregate represent approximately 52.1% of the total issued share capital of the Company.

Asia Pacific Promotion Limited is wholly-owned by Mr. Ou, a non-executive Director. Mr. Tang is a non-executive Director. Mr. Chen Wei is an executive Director.

Accordingly, in accordance with Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Share Purchase Agreement and the Additional Sinolink Subscription under Chapter 14 of the Listing Rules has been satisfied in lieu of a general meeting of the Company.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the view that the Share Purchase Agreement has been entered into on normal commercial terms, and the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened, the Board would recommend the Shareholders to vote in favour of the ordinary resolution to approve the Share Purchase Agreement and the Additional Sinolink Subscription and the transactions contemplated thereunder at such general meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three financial years ended December 31, 2019, 2020 and 2021 are disclosed in the following annual reports and unaudited interim financial information for the six months ended June 30, 2022 is disclosed in the following interim report of the Company which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinolinkhk.com):

- The unaudited interim financial information of the Group for the six months ended June 30, 2022 is disclosed in the 2022 interim report of the Company published on September 15, 2022, from pages 29 to 70. Please see below the link to the 2022 interim report of the Company:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091500524.pdf>
- the audited consolidated financial statements of the Group for the year ended December 31, 2021 is disclosed in the 2021 annual report of the Company published on April 26, 2022, from pages 49 to 160. Please see below the link to the 2021 annual report of the Company:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601205.pdf>
- the audited consolidated financial statements of the Group for the year ended December 31, 2020 is disclosed in the 2020 annual report of the Company published on April 27, 2021, from pages 49 to 158. Please see below the link to the 2020 annual report of the Company:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700645.pdf>
- the audited consolidated financial statements of the Group for the year ended December 31, 2019 is disclosed in the 2019 annual report of the Company published on April 27, 2020, from pages 53 to 178. Please see below the link to the 2019 annual report of the Company:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702002.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on November 30, 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank borrowings of approximately HK\$1,225 million. The bank borrowings are secured by bank deposits and investment properties of the Group.

As at the close of business on November 30, 2022, the Group had guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties amounting to approximately HK\$7.0 million.

As at the close of business on November 30, 2022, the Group had secured and unguaranteed outstanding lease obligations in respect of office premises with undiscounted principal amount of approximately HK\$9.3 million. The lease obligations are secured by rental deposits.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade payables and other liabilities in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, other recognised lease liabilities or lease commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business as of November 30, 2022.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, banking facilities available and other internal resources available to the Group and also the effect of the Additional Sinolink Subscription, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since December 31, 2021 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group

Looking ahead, the global economy faces many challenges. Affected by factors such as the Russian-Ukrainian conflict, COVID-19 pandemic and rising global inflationary pressures, the global economic growth has slowed down significantly. In the “World Economic Outlook Report” released by the IMF, the world economic growth rate is expected to slow from 6.1% last year to 3.2% this year, which is 0.4 percentage points lower than the previous forecast of 3.6%.

In developed economies such as the United States, the supply chain recovery is still slow. With the risk of a wage-price spiral, the decline in US inflation is expected to be relatively limited during the year, and it will not be able to return to the Fed’s monetary policy target range. The global inflation situation remains severe. While U.S. consumer and business development remains solid and technological innovation continues to gain momentum, the current economic cycle is moving forward rapidly, while governments and central banks are reducing their support for the economy. The world economic situation is rapidly evolving.

In respect of China, the economic recovery in the second half of this year will not be easy either. China is facing a much tougher environment than the rapid rebound that followed the first outbreak control two years ago. Looking back to 2020, strong exports and a booming property market quickly propelled the economy into a “V-shaped” recovery. Now, these favorable factors no longer exist. As global growth slows down and consumer spending shifts from goods to services in developed markets, external demand is likely to slow down as a result. At the same time, strict regulations imposed on the property market in 2021 led to a sharp decline in the sector, which has yet to bottom out. In addition, domestic demand has not yet recovered. Growth in goods and services consumption has not returned to pre-pandemic levels, even before the implementation of the second-quarter lockdown measures, and economic activity data for May suggests that weak consumption will gradually become a key issue. Consumption performance remains very weak, in stark contrast to the rapid rebound in industrial output after the lifting of the containment measures. In the absence of a fundamental change in measures to prevent the pandemic, large shortfalls in the services sector may persist, and there may be risks in the labor market that could further hinder a full recovery in consumption.

In this context, economic growth of 2.5% in the first half of the year compares favorably with the expected annual growth target of about 5.5% in GDP set in this year’s government work report, meaning that the second half of the year will require a lot of hard work. In the second half of the year, the likelihood of a significant recovery in property investment is relatively low, and infrastructure is an important source of economic growth this year, with construction projects mainly focused on government supported water supply, sewage treatment, data centers and other projects that are distinct from traditional infrastructure construction.

In the long run, the COVID-19 pandemic may have accelerated the structural slowdown in China. A long-term slowdown in China is inevitable due to the aging population trend and the drag from high debt, but the question is how fast it will happen. The COVID-19 pandemic has accelerated global trends such as digitalization, working from home, and low-carbon environmental protection, and appears to have accelerated growth slowdown in China. Compared with the situation before the pandemic, China is facing higher debt levels, weaker domestic demand and lower investment returns. The continued slowdown in productivity growth in recent years is also an important challenge, and if this situation is not reversed, more structural weakness is likely to occur in future growth. While getting rid of “inflationary” growth is not a bad thing in the long run, the challenges posed by the structural slowdown should not be underestimated anyway.

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

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

JV Co

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

The management of JV Co currently intends to use the additional funds to be raised by JV Co (in the amount of USD103 million, equivalent to approximately HK\$806 million) through the Additional Sinolink Subscription, as follows:

- approximately 44.2%, or HK\$356 million, on the working capital of JV Co and on general operating costs including staff costs, software and IT equipment expenses and rental and building management fees;
- approximately 43.4%, or HK\$350 million, on the working capital of JV Co for further capital injection of its virtual bank business; and
- approximately 12.4%, or HK\$100 million, on the working capital of JV Co for further capital injection of its money lending business.

The Company believes, based on JV Co's experiences gained from the Insurtech market in China, it 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.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINOLINK WORLDWIDE HOLDINGS LIMITED

Introduction

We report on the historical financial information of ZhongAn Technologies International Group Limited (the “**JV Co**”) and its subsidiaries (together, the “**JV Group**”) set out on pages II-4 to II-120, which comprises the consolidated and company statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-120 forms an integral part of this report, which has been prepared for inclusion in the circular of Sinolink Worldwide Holdings Limited (the “**Company**”) dated 29 December 2022 (the “**Circular**”) in connection with the additional capital contribution to the JV Co by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The previously issued financial statements for the years ended 31 December 2019, 2020 and 2021 and management accounts for the six months ended 30 June 2022 of the JV Group (“**Historical Financial Statements**”), on which the Historical Financial Information is based, were prepared by the directors of the JV Co. The directors of the JV Co are responsible for the preparation of the Historical Financial Statements of the JV Group that gives a true and fair view in accordance with Hong Kong

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Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the JV Co as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated financial position of the JV Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the JV Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial

Information based on our 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 HKICPA. A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements have been made.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong,

29 December 2022

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements for the years ended 31 December 2019, 2020 and 2021 and management accounts for the six months ended 30 June 2022 of the JV Group ("Historical Financial Statements"). The previously issued financial statements for the years ended 31 December 2019, 2020 and 2021 were audited by the statutory auditor of the JV Co in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue and other income						
Service fee income from third parties	5	98,617	182,615	283,345	131,457	149,270
Service fee income from related parties	5	11,745	20,018	20,172	—	3,813
Interest income from banking operations	6	18,827	65,933	146,946	69,430	110,723
Interest income from non-banking operations	6	3,024	26,762	24,023	10,666	21,584
Net investment gain/(loss)	7	—	14,064	(11,989)	(7,012)	244,234
Insurance premium revenue	8	—	2,271	126,866	3,308	305,878
Fee and commission income from banking operations	9	—	1,637	87,785	28,529	69,550
Other income	10	2,240	11,639	9,431	1,645	84,565
Total revenue and other income		<u>134,453</u>	<u>324,939</u>	<u>686,579</u>	<u>238,023</u>	<u>989,617</u>
Expenses						
Operating expenses	11	(482,048)	(797,543)	(1,244,390)	(531,281)	(731,914)
Interest expenses on banking operations	6	(60)	(37,797)	(60,096)	(34,697)	(21,553)
Interest expenses on non-banking operations	14	(1,398)	(3,533)	(681)	(367)	(793)
Fee and commission expenses on banking operations	9	—	(499)	(35,086)	(5,875)	(29,174)
Net claims and benefits incurred and movement in liabilities to policyholders	12	—	(47,161)	(128,877)	(1,497)	(306,410)
Expected credit losses on financial assets	15	(92)	(14,258)	(49,496)	(5,032)	(34,720)
Total expenses		<u>(483,598)</u>	<u>(900,791)</u>	<u>(1,518,626)</u>	<u>(578,749)</u>	<u>(1,124,564)</u>
Operating loss						
Share of results from associates	21	28	(33,953)	(17,066)	(7,222)	(11,684)
Loss before income tax		<u>(349,117)</u>	<u>(609,805)</u>	<u>(849,113)</u>	<u>(347,948)</u>	<u>(146,631)</u>

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 <i>(Unaudited)</i>	2022 HK\$'000
Loss before income tax		(349,117)	(609,805)	(849,113)	(347,948)	(146,631)
Income tax	16	<u>(3,070)</u>	<u>(73)</u>	<u>(225)</u>	<u>—</u>	<u>—</u>
Net loss for the years/periods		<u><u>(352,187)</u></u>	<u><u>(609,878)</u></u>	<u><u>(849,338)</u></u>	<u><u>(347,948)</u></u>	<u><u>(146,631)</u></u>
Attributable to:						
- Owners of the JV Co		(301,189)	(496,440)	(759,617)	(320,201)	(214,982)
- Non-controlling interests		<u>(50,998)</u>	<u>(113,438)</u>	<u>(89,721)</u>	<u>(27,747)</u>	<u>68,351</u>
		<u><u>(352,187)</u></u>	<u><u>(609,878)</u></u>	<u><u>(849,338)</u></u>	<u><u>(347,948)</u></u>	<u><u>(146,631)</u></u>
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations		(46)	6,088	(9,651)	(4,933)	(12,742)
Changes in the fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")		<u>61</u>	<u>5,323</u>	<u>(34,288)</u>	<u>(36,377)</u>	<u>(244,784)</u>
		<u>15</u>	<u>11,411</u>	<u>(43,939)</u>	<u>(41,310)</u>	<u>(257,526)</u>
Total comprehensive loss for the years/periods		<u><u>(352,172)</u></u>	<u><u>(598,467)</u></u>	<u><u>(893,277)</u></u>	<u><u>(389,258)</u></u>	<u><u>(404,157)</u></u>
Attributable to:						
- Owners of the JV Co		(301,159)	(489,642)	(796,918)	(355,615)	(458,892)
- Non-controlling interests		<u>(51,013)</u>	<u>(108,825)</u>	<u>(96,359)</u>	<u>(33,643)</u>	<u>54,735</u>
		<u><u>(352,172)</u></u>	<u><u>(598,467)</u></u>	<u><u>(893,277)</u></u>	<u><u>(389,258)</u></u>	<u><u>(404,157)</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS					
Property and equipment	18	15,772	16,127	11,747	18,105
Right-of-use assets	19	19,790	15,292	9,398	58,623
Intangible assets	20	13,797	40,586	39,280	96,730
Investments accounted for using the equity method	21	31,397	46,334	91,940	68,154
Trade and other receivables	23	37,704	108,173	201,432	278,460
Interest receivables		3,594	43,007	46,163	52,675
Loans and advances to customers	22	—	674,135	2,512,897	4,220,770
Premium receivables		—	13	71	123
Reinsurance assets	24	—	2,327	5,290	5,647
Reinsurer' share of provision for outstanding claims		—	—	1,214	85
Financial assets at FVOCI	25	99,973	5,036,151	5,589,985	5,347,099
Financial assets measured at fair value through profit or loss (“FVPL”)	26	—	133,178	225,839	765,590
Income tax recoverable		—	1,198	—	—
Investment in debt securities at amortised costs	27	—	298,344	263,497	195,594
Other assets	29	18,496	44,946	45,624	36,864
Cash and amounts due from banks and other financial institutions	28	<u>2,262,853</u>	<u>3,021,407</u>	<u>3,104,095</u>	<u>1,775,569</u>
Total assets		<u><u>2,503,376</u></u>	<u><u>9,481,218</u></u>	<u><u>12,148,472</u></u>	<u><u>12,920,088</u></u>

	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2022</i> <i>HK\$'000</i>
LIABILITIES					
Deposits from customers	33	26,607	6,012,613	6,967,176	8,102,206
Lease liabilities	19	22,194	16,723	12,422	60,256
Amount due to related parties	31	339,503	593,113	1,060,324	1,095,062
Insurance contract liabilities	32	—	49,488	180,324	442,864
Income tax payable		2,375	—	—	—
Reinsurance payables		—	330	1,497	4,980
Contract liabilities		7,097	21,877	29,257	58,012
Trade payables and other liabilities	30	<u>50,601</u>	<u>171,961</u>	<u>361,992</u>	<u>381,719</u>
Total liabilities		<u>448,377</u>	<u>6,866,105</u>	<u>8,612,992</u>	<u>10,145,099</u>
Net assets		<u>2,054,999</u>	<u>2,615,113</u>	<u>3,535,480</u>	<u>2,774,989</u>
EQUITY					
Share capital	34	999,316	2,315,599	4,041,005	4,585,469
Redeemable preference shares	35	1,480,721	938,709	1,047,192	253,555
Reserves		(9,953)	344	(19,456)	(273,431)
Accumulated losses		<u>(443,384)</u>	<u>(975,838)</u>	<u>(1,812,720)</u>	<u>(2,116,833)</u>
Total equity attributable to owners of the JV Co		2,026,700	2,278,814	3,256,021	2,448,760
Non-controlling interests		<u>28,299</u>	<u>336,299</u>	<u>279,459</u>	<u>326,229</u>
Total equity		<u>2,054,999</u>	<u>2,615,113</u>	<u>3,535,480</u>	<u>2,774,989</u>

STATEMENTS OF FINANCIAL POSITION OF THE JV CO

		As at 31 December			As at
		2019	2020	2021	30 June
	Notes	HK\$'000	HK\$'000	HK\$'000	2022
					HK\$'000
ASSETS					
Property and equipment	18	15,772	13,119	6,953	11,804
Right-of-use assets	19	13,295	8,984	3,760	30,710
Intangible assets		—	—	—	11,145
Investment in subsidiaries and other entities	17	1,609,784	2,909,193	4,617,360	4,878,794
Trade and other receivables		—	—	292	16,346
Financial assets at FVOCI	25	—	—	398,643	—
Financial assets at FVPL	26	—	50,719	51,167	50,719
Other assets		7,343	8,512	3,063	5,489
Amount due from subsidiaries		169,067	461,578	499,974	573,073
Cash and cash equivalents	28	772,387	143,038	324,772	173,119
Total assets		<u>2,587,648</u>	<u>3,595,143</u>	<u>5,905,984</u>	<u>5,751,199</u>
LIABILITIES					
Lease liabilities	19	15,733	11,165	6,011	32,756
Amount due to subsidiaries		927	14,408	67,244	161,187
Amount due to related parties	31	339,503	581,465	1,048,552	1,088,374
Trade payables and other liabilities	30	20,907	2,678	54,340	60,253
Total liabilities		<u>377,070</u>	<u>609,716</u>	<u>1,176,147</u>	<u>1,342,570</u>
Net assets		<u>2,210,578</u>	<u>2,985,427</u>	<u>4,729,837</u>	<u>4,408,629</u>
EQUITY					
Share capital	34	999,316	2,315,599	4,041,005	4,585,469
Redeemable preference shares	35	1,480,721	938,709	1,047,192	253,555
Reserves	38	—	868	10,707	13,720
Accumulated losses	38	(269,459)	(269,749)	(369,067)	(444,115)
Total equity		<u>2,210,578</u>	<u>2,985,427</u>	<u>4,729,837</u>	<u>4,408,629</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the JV Co							Total equity HK\$'000		
		Reserves									
		Share capital HK\$'000	Redeemable preference shares HK\$'000	Other reserves HK\$'000	Translation reserves HK\$'000	Financial asset at FVOCI reserve HK\$'000	Share option reserves HK\$'000	Accumulated losses HK\$'000		Non-controlling interests HK\$'000	
Year ended 31 December 2019											
Balance at 1 January 2019		129,659	700,000	—	(30)	—	—	(132,186)	697,443	352,335	1,049,778
	Issue of ordinary shares	869,657	—	—	—	—	—	—	869,657	—	869,657
	Issue of redeemable preference shares	—	936,277	—	—	—	—	—	936,277	—	936,277
	Redemption of redeemable preference shares	—	(155,556)	—	—	—	—	(10,009)	(165,565)	—	(165,565)
	Capital contribution from a non-controlling interest of subsidiaries	—	—	—	—	—	—	—	—	79,967	79,967
	Transactions with non-controlling interests	—	—	(9,953)	—	—	—	—	(9,953)	(352,990)	(362,943)
	Net loss for the year	—	—	—	—	—	—	—	(301,189)	(50,998)	(352,187)
	<i>Other comprehensive income</i>	—	—	—	—	—	—	—	—	—	—
	Currency translation differences	—	—	—	(31)	—	—	—	(31)	(15)	(46)
	Changes in the fair value of financial assets at FVOCI	—	—	—	—	61	—	—	61	—	61
	Balance at 31 December 2019	999,316	1,480,721	(9,953)	(61)	61	—	(443,384)	2,026,700	28,299	2,054,999
Year ended 31 December 2020											
Balance at 1 January 2020		999,316	1,480,721	(9,953)	(61)	61	—	(443,384)	2,026,700	28,299	2,054,999
	Issue of ordinary shares	1,316,283	—	—	—	—	—	—	1,316,283	—	1,316,283
	Redemption of redeemable preference shares	—	(542,012)	—	—	—	—	(36,014)	(578,026)	—	(578,026)
	Employee shares options	—	—	—	—	—	3,499	—	3,499	—	3,499
	Capital contribution from non-controlling interest of subsidiaries	—	—	—	—	—	—	—	—	416,825	416,825
	Net loss for the year	—	—	—	—	—	—	(496,440)	(496,440)	(113,438)	(609,878)
	<i>Other comprehensive income</i>	—	—	—	—	—	—	—	—	—	—
	Currency translation differences	—	—	—	2,983	—	—	—	2,983	3,105	6,088
	Changes in the fair value of financial assets at FVOCI	—	—	—	—	3,815	—	—	3,815	1,508	5,323
	Balance at 31 December 2020	2,315,599	938,709	(9,953)	2,922	3,876	3,499	(975,838)	2,278,814	336,299	2,615,113

Attributable to owners of the JV Co										
Reserves										
Notes	Share capital HK\$'000	Redeemable preference shares HK\$'000	Other reserves HK\$'000	Translation reserves HK\$'000	Financial asset at FVOCI reserve HK\$'000	Share option reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Year ended 31 December 2021										
Balance at 1 January 2021										
	2,315,599	938,709	(9,953)	2,922	3,876	3,499	(975,838)	2,278,814	336,299	2,615,113
34	1,725,406	—	—	—	—	—	—	1,725,406	—	1,725,406
35	—	600,197	—	—	—	—	—	600,197	—	600,197
	—	(491,714)	—	—	—	—	(77,265)	(568,979)	—	(568,979)
	—	—	—	—	—	16,366	—	16,366	—	16,366
	—	—	—	—	—	1,135	—	1,135	—	1,135
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	39,519	39,519
	—	—	—	—	—	—	(759,617)	(759,617)	(89,721)	(849,338)
	—	—	—	(4,458)	—	—	—	(4,458)	(5,193)	(9,651)
	—	—	—	—	(32,843)	—	—	(32,843)	(1,445)	(34,288)
	4,041,005	1,047,192	(9,953)	(1,536)	(28,967)	21,000	(1,812,720)	3,256,021	279,459	3,535,480
Six months ended 30 June 2022										
Balance at 1 January 2022										
	4,041,005	1,047,192	(9,953)	(1,536)	(28,967)	21,000	(1,812,720)	3,256,021	279,459	3,535,480
34	544,464	—	—	—	—	—	—	544,464	—	544,464
35	—	(793,637)	—	—	—	—	(89,131)	(882,768)	—	(882,768)
	—	—	(11,558)	—	—	—	—	(11,558)	11,558	—
	—	—	—	—	—	1,493	—	1,493	—	1,493
	—	—	—	—	—	—	—	—	(19,523)	(19,523)
	—	—	—	—	—	—	(214,982)	(214,982)	68,351	(146,631)
	—	—	—	—	—	—	—	—	—	—
	—	—	—	(8,088)	—	—	—	(8,088)	(4,654)	(12,742)
	—	—	—	—	(235,822)	—	—	(235,822)	(8,962)	(244,784)
	4,585,469	253,555	(21,511)	(9,624)	(264,789)	22,493	(2,116,833)	2,448,760	326,229	2,774,989

Attributable to owners of the JV Co

	Notes	Reserves								Total equity HK\$'000	
		Share capital HK\$'000	Redeemable preference shares HK\$'000	Other reserves HK\$'000	Translation reserves HK\$'000	Financial asset at FVOCI reserve HK\$'000	Share option reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
Six months ended 30 June 2021 (Unaudited)											
Balance at 1 January 2021											
Issue of redeemable preference shares	35	—	600,197	(9,953)	2,922	3,876	3,499	(975,838)	2,278,814	336,299	2,615,113
Employee shares options		—	—	—	—	—	3,102	—	600,197	—	600,197
Net loss for the period		—	—	—	—	—	—	(320,201)	(320,201)	(27,747)	(347,948)
<i>Other comprehensive income</i>		—	—	—	(2,417)	—	—	—	(2,417)	(2,516)	(4,933)
Currency translation differences		—	—	—	—	(32,997)	—	—	(32,997)	(3,380)	(36,377)
Changes in the fair value of financial assets at FVOCI		—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2021		2,315,599	1,538,906	(9,953)	505	(29,121)	6,601	(1,296,039)	2,526,498	302,656	2,829,154

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
<i>(Unaudited)</i>						
OPERATING ACTIVITIES						
Cash (used in)/generated from operating activities	37	(56,154)	4,185,531	(629,909)	1,235,435	(208,018)
Income tax (paid)/refund		(993)	(3,646)	(225)	1,198	—
Net cash (used in)/generated from operating activities		<u>(57,147)</u>	<u>4,181,885</u>	<u>(630,134)</u>	<u>1,236,633</u>	<u>(208,018)</u>
INVESTING ACTIVITIES						
Withdrawal of bank deposits		600,000	—	—	—	—
Interest received		4,774	—	—	—	—
Dividend received		—	548	687	352	253
Payments for purchase of property and equipment	18	(17,354)	(8,371)	(4,897)	(3,177)	(13,316)
Acquisition of intangible asset		(14,695)	(31,085)	(6,914)	(2,544)	(14,647)
Proceeds from sale and redemption of investments		—	3,323,429	4,838,954	3,196,804	1,758,260
Purchase of investment securities		(99,912)	(8,685,474)	(5,498,515)	(2,374,976)	(2,066,369)
Investment in associates		(19,624)	(34,875)	(62,673)	(31,153)	—
Net cash inflow from disposal of subsidiaries		—	—	—	—	87,576
Net cash generated from/(used in) from investing activities		<u>453,189</u>	<u>(5,435,828)</u>	<u>(733,358)</u>	<u>785,306</u>	<u>(248,243)</u>

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
					(Unaudited)	
FINANCING ACTIVITIES						
Proceeds from promissory notes		20,346	—	—	—	—
Repayment for promissory notes		(50,457)	—	—	—	—
Proceeds from issue of ordinary shares	34	869,657	1,316,283	1,725,406	—	544,464
Capital contribution from non-controlling interests of subsidiaries		79,967	416,825	39,519	—	—
Proceeds from issue of redeemable preference shares		936,277	—	600,197	600,197	—
Redemption of redeemable preference shares		(165,565)	(578,026)	(568,979)	—	(882,768)
Transactions with non-controlling interests		(362,943)	—	—	—	—
Payment for principal elements of lease liabilities		(7,412)	(10,331)	(8,785)	(5,093)	(7,002)
Interests paid on lease liabilities	14	(1,398)	(1,039)	(680)	(367)	(793)
Net cash generated from/(used in) from financing activities		<u>1,318,472</u>	<u>1,143,712</u>	<u>1,786,678</u>	<u>594,737</u>	<u>(346,099)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,714,514</u>	<u>(110,231)</u>	<u>423,186</u>	<u>2,616,676</u>	<u>(802,360)</u>
Cash and cash equivalents at the beginning of years/periods		546,237	2,262,944	2,158,741	2,158,741	2,556,871
Effects of exchange rate changes on cash and cash equivalents		<u>2,193</u>	<u>6,028</u>	<u>(25,056)</u>	<u>(11,383)</u>	<u>(28,942)</u>
Cash and cash equivalents at end of years/periods	28	<u><u>2,262,944</u></u>	<u><u>2,158,741</u></u>	<u><u>2,556,871</u></u>	<u><u>4,764,034</u></u>	<u><u>1,725,569</u></u>
Represented by:						
Cash and balance with central bank and banks		1,027,781	1,356,657	2,027,871	3,889,811	1,458,479
Placements with and advances to banks		<u>1,235,163</u>	<u>802,084</u>	<u>529,000</u>	<u>874,223</u>	<u>267,090</u>
		<u><u>2,262,944</u></u>	<u><u>2,158,741</u></u>	<u><u>2,556,871</u></u>	<u><u>4,764,034</u></u>	<u><u>1,725,569</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information of the JV Group

ZhongAn Technologies International Group Limited (the “**JV Co**”) and its subsidiaries (together the “**JV Group**”) provide technology developments and technology consulting services to customers; banking services to its customers and direct underwriting of long-term insurance business.

The JV Co is incorporated in Hong Kong on 22 September 2017 as a limited company under the Hong Kong Companies Ordinance (Cap. 622). The address of its registered office is Unit 1302-03, Level 13, IT Street, Cyberport 3, 100 Cyberport Road, Hong Kong.

The JV Co is a subsidiary of ZhongAn Information Technology Service Company Limited (the “**ZhongAn Technology**”) which holds 44.70% of the JV Co’s ordinary shares. Sinolink Worldwide Holdings Limited (the “**Company**”), which is listed on the Main Board of the Hong Kong Stock Exchange, holds 44.75% of the JV Co’s ordinary shares. The ultimate parent company of the JV Co is ZhongAn Online P&C Insurance Co., Limited. (the “**ZAOIL**”), incorporated in the People’s Republic of China and listed on the Main Board of the Hong Kong Stock Exchange.

The Historical Financial Information for the financial years ended 31 December 2019, 2020 and 2021 contained in this accountant’s report does not constitute the JV Co’s statutory annual consolidated financial statements for any of the financial years ended 31 December 2019, 2020 and 2021 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The JV Co has delivered the statutory financial statements for each of the financial years ended 31 December 2019, 2020 and 2021 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The JV Co’s auditor has reported on these financial statements for each of the financial years ended 31 December 2019, 2020 and 2021. The auditor’s reports (i) were unqualified for each of the financial years ended 31 December 2019, 2020 and 2021; (ii) other than the auditor’s report on the financial statements for the financial year ended 31 December 2020, did not include a reference to any matters to which the auditor drew attention by way of emphasis; and (iii) did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance for each of the financial years ended 31 December 2019, 2020 and 2021.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”). The Historical Financial Information has been prepared on a historical cost basis, except for financial assets at FVPL and FVOCI which are measured at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the JV Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

(i) New and amended standard adopted by the JV Group

A number of new or amended standards became applicable for the accounting period beginning on 1 January 2022. The JV Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual Improvements Projects	Annual Improvements to HKFRSs 2018-2020

(ii) *New standards and amendments to standards that have been issued but are not effective:*

		Effective for accounting periods beginning on or after
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 12	Deferred Tax Relate to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contract	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined

HKFRS 17

HKFRS 17 was issued in December 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all insurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- Discounted probability-weighted cash flows;
- An explicit risk adjustment; and
- A contractual service margin (“CSM”) representing the unearned profit of the contact which is recognised as revenue over coverage period.

In October 2020, the Amendments to HKFRS 17 was issued. The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The impact is expected to be significant. The JV Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other amended standards and annual improvements that are not yet effective that would be expected to have a material impact to the JV Group.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the JV Co has control. The JV Co controls an entity when the JV Co is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the JV Co. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the JV Co.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the JV Co.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of financial position and consolidated statements of changes in equity respectively.

(ii) Investments accounted for using the equity method

The JV Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The JV Group has assessed the nature of its joint arrangements and determined them to be joint ventures, which are accounted for using the equity method. An associate is an entity over which the JV Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in a joint venture/an associate is accounted for using the equity method from the date on which it becomes a joint venture/an associate. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and OCI of the investee after the date of acquisition.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the JV Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the JV Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the JV Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the JV Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the JV Group and its joint ventures/associates are eliminated to the extent of the JV Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the JV Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

(iv) Changes in ownership interest

The JV Co treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the JV Co. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the JV Co.

When the JV Co ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the JV Co had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred

- liabilities incurred to the former owners of the acquired business
- equity interests issued by the JV Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The JV Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the JV Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Historical Financial Information are presented in Hong Kong dollar ("HK\$"), which is the JV Co's functional currency and the JV Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and all other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other income.

(iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the JV Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the JV Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the JV Group's ownership interest in associates or joint ventures that do not result in the JV Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the JV Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Category	Useful Life
Furniture, fittings and equipment	3 - 5 years
Vehicles	5 years
Leasehold improvement	Shorter of lease term or useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses), net, in the consolidated statements of comprehensive income.

2.6 Intangible assets

The JV Group's intangible assets include software and licences.

Intangible assets can be recognised only when future economic benefits expected to be obtained from the use of the item will flow into the JV Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost.

Expenditure on maintaining computer software is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the JV Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred. Other intangible assets that are acquired by the JV Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the JV Group. If the period of bringing economic benefits cannot be determined, intangible assets will be classified as indefinite intangible assets.

(i) Amortisation methods and periods

The JV Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Category	Useful Life
Software	3-10 years
Licence	Indefinite

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine

whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2.7 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Leases

JV Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the JV Group.

Contracts may contain both lease and non-lease components. The JV Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the JV Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the JV Group under residual value guarantees
- the exercise price of a purchase option if the JV Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the JV Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the JV Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the JV Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The JV Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the JV Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the JV Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the JV Group. Payments associated with short-term

leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Other receivables are amounts generally arise from transactions outside the usual operating activities of the JV Group. They are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.10 Investment and other financial assets

(i) Classification

The JV Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the JV Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The JV Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the JV Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the JV Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the JV Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the JV Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the JV Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The JV Group subsequently measures all equity investments at fair value. Where the JV Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the JV Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The JV Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the JV Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 23 for further details.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flow, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Share capital and redeemable preference shares

Ordinary shares are classified in equity when there is not any obligation to transfer cash or other assets to the holders. Redeemable preference shares are classified as equity if it is non-redeemable at the option of the holders, or redeemable only at the JV Co's discretion.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables and other liabilities

These amounts represent other accruals for expenses incurred prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Revenue recognition

The JV Group's main revenue is recognised on the following bases:

(i) *Implementation, licensing and post-implementation support service*

Implementation services represent customisation services provided to customers to develop customised intellectual property. The contract term for implementation services is typically within one year. The implementation contract is on a fixed-fee basis.

Licensing service is a service which grants customers a right to access the JV Group's software throughout the license period. The contract term for licensing services is typically three to five years. Periodic fixed fees for licensing services are recognised over the contract-terms.

Post-implementation support services mainly represent post implementation maintenance or consulting services. Periodic fixed fees for maintenance services are recognised over the contract-terms, while consulting service fees are recognised when services are rendered.

The JV Group's customer contracts often include both implementation services, licensing service and post-implementation support services. Judgement is required in determining whether implementation services, licensing service and post-implementation support services are separate performance obligations. Customers can benefit from implementation service, licensing service or post-implementation support service on their own, and those services are clearly stated in the contract and are separately identifiable, they are not integrated or interrelated with each other, and do not significantly affect each other. The JV Group has concluded that implementation services, licensing services or post-implementation support services qualify as separate performance obligations and the portion of the contractual fee allocated to them is recognised separately.

For implementation services, the performance obligation is to develop customised intellectual property for specific needs of individual customers is made available to the customers upon requests and the work performed up to date is accessible to customers from time to time for review and acceptance, where the JV Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue for implementation services is recognised over the contract terms by reference to the progress of work performed, which is measured based on the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

For licensing service, the performance obligation is to grant right to access of the JV Group's software throughout the license period. The customers simultaneously receive and consume the benefits of these support services as the JV Group perform and revenue is recognised based on time elapsed throughout the license period.

For post-implementation support services, the performance obligation is to stand ready to provide technical support and unspecified updates and upgrades or technical consulting on a when-and-if-available basis. The customers simultaneously receive and consume the benefits of these support services as the JV Group perform and revenue is recognised based on time elapsed and thus ratably over the term of the support arrangement.

(ii) *Insurance premium revenue*

Gross premiums written on long term insurance contracts are recognised when due for payment.

(iii) *Interest income*

Interest income is recognised in the consolidated statements of comprehensive income for all financial assets carried at amortised cost and fair value through other comprehensive income, and financial liabilities using the effective interest method. Similar interest income arising from non-derivative financial assets and liabilities carried at fair value through profit or loss are determined using similar method, but excluding their transaction costs. Interest income recognised is calculated based on the gross carrying amount of the financial asset unless it is a POCI financial asset, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; or the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

(iv) *Fee and commission income*

Fees and commissions income are recognised on an accrual basis when the service has been provided to customers. Loan fees for servicing a loan are recognised as fee income. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised when the service is provided to customers.

(v) *Dividend income*

Dividends are recognised when the shareholders' right to receive payment is established.

2.15 Insurance contracts

(i) *Classification*

The JV Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are defined as those contracts that transfer significant insurance risk at the inception of the contract. Such contracts may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this year/period.

As a general guideline, the JV Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 105% more than the benefits payable if the insured event did not occur.

(ii) *Reinsurance*

The JV Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangement do not relieve the JV Group from its direct obligations to policyholders.

Amount recoverable under such contracts are recognised in the same year as the related claims. The cost of reinsurance related to long-term contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

The benefits to which the JV Group is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets include amount due from reinsurers as well as reinsurance assets that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The JV Group assesses its reinsurance assets for impairment at each statement of financial position date. If there is objective evidence that the reinsurance asset is impaired, the JV Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the consolidated statement of comprehensive income. The JV Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also measured and recognised following the same method used for these financial assets.

(iii) Insurance benefits and claims

Insurance claims reflect the cost of maturities, surrenders, withdrawals and claims arising during the year, as well as policyholder dividends accrued in anticipation of dividend declarations. Death claims and surrenders are recognised on the basis of notification received. Maturities and annuity payments are recognised when due. Policy benefits are recognised as insurance liabilities.

(iv) Insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The movements in liabilities at each reporting date are recognised in the consolidated statements of comprehensive income.

The expense reserve was included as statutory requirement that, based on estimated expenses needed to fulfil the inforce insurance policies if the JV Group were to cease to transact new business 12 months after the valuation date, and is subject to expense inflation risk.

A resilience reserve was set up and included in long term business fund liabilities in accordance with the Insurance (Determination of Long Term Liabilities) Rules to provide a prudent provision against the effects of possible future changes to the value of the assets to meet the liabilities.

The liabilities are calculated in accordance with Hong Kong Insurance Companies (Determination of Long Term Liabilities) Rule.

(v) *Liability adequacy test*

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance liabilities. Statutory policy reserve will be compared against the best estimate reserve, which is calculated on Gross Premium Valuation basis. If the statutory policy reserve is smaller than the best estimate reserve at company level, the difference will be held as an additional reserve.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the JV Co and its subsidiaries operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the JV Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17 Operating expenses

Operating expenses consist primarily of employee benefit expenses and advertising and promotion expense which are associated with the general operation of the JV Group. Accounting policies of employee benefit expense is disclosed in Note 2.18. Advertising and promotion expense includes but not limited to costs incurred from promotion, branding, customers acquisition and debit card reward programs to cardholders which are recognised as incurred.

2.18 Employee benefit expense

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statements of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus Plan

Provisions for bonus plans are recognised when the JV Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution schemes

The employees of the JV Group participate in various defined contribution pension plans principally organised by municipal and provincial governments. Contributions to defined contribution schemes, such as the Mandatory Provident Fund (“MPF”) Scheme, are expensed as incurred. The JV Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The JV Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The JV Group records a liability for the present value of its early retirement obligation when employees retire early.

2.19 Share-based payments

The JV Group operates an equity-settled, share-based compensation plan, under which the JV Group receives services from employees as consideration for equity instruments of the JV Co. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;

- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the JV Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2.20 Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the JV Group will comply with all attached conditions.

2.22 Provisions

Provisions are recognised when the JV Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future losses.

3. Financial risk management

This note explains the JV Group's exposure to financial risks and how these risks could affect the JV Group's future financial performance.

3.1 Financial risk factors

The JV Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk, liquidity risk and insurance risk. The directors monitor the financial risk factors of the JV Group and take measures as considered necessary from time to time to minimise such financial risks. Generally, the JV Group employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

(i) *Market risk*

(a) Foreign exchange risk

The JV Group operates internationally and is exposed to foreign exchange risk, primarily Renminbi ("RMB"), United States dollars ("US\$"), Japanese Yen ("JPY"), Singaporean Dollar ("SGD"), European Dollar ("EUR") and Indonesian Rupiahs ("IDR"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable revenue and expenditures. The risk is hedged by matching the costs and revenues in foreign currencies.

As HK\$ is pegged to US\$, management believes that the exchange rate risk for translation between HK\$ and US\$ do not have material impact to the JV Group.

Exposure

The JV Group's exposure to foreign currency risk at the end of the reporting period that were significant to the JV Group, expressed in HK dollar thousands, was as follows:

	31 December 2019		31 December 2020		
	RMB	JPY	RMB	JPY	SGD
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets					
Cash and amounts due from banks and other financial institutions	38,373	18,560	130,172	74,810	14,203
Financial liabilities					
Trade payables and other liabilities	(5)	—	(733)	—	—
Amount due to related parties	(339,503)	—	(581,465)	—	—
Deposits from customers	—	—	(75,926)	—	—
Lease liabilities	(1,344)	—	—	—	—

	31 December 2021		30 June 2022		
	RMB	EUR	RMB	JPY	EUR
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets					
Cash and amounts due from banks and other financial institutions	129,312	5,009	235,750	21,623	157
Trade and other receivables	—	—	—	11,878	—
Financial assets at FVOCI	—	—	136,698	—	—
Financial liabilities					
Trade payables and other liabilities	(4,217)	—	(1,761)	—	—
Amount due to related parties	(1,048,475)	—	(1,088,374)	—	—
Deposits from customers	(78,650)	—	(62,353)	—	—

Sensitivity

As shown in the table above, the JV Group is primarily exposed to changes in RMB/HK\$, JPY/HK\$, SGD/HK\$ and EUR/HK\$ exchange rates. The analysis below is performed to show the sensitivity of profit or loss to reasonable possible change in the exchange rates arises mainly from foreign currencies denominated assets and liabilities and the impact on equity after tax.

	Impact on post tax profit				Impact on equity after tax			
	31 December		30 June		31 December		30 June	
	2019	2020	2021	2022	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
EUR/HK\$ exchange rate — increase 5% *	—	—	250	8	—	—	250	8
EUR/HK\$ exchange rate — decrease 5% *	—	—	(250)	(8)	—	—	(250)	(8)
JPY/HK\$ exchange rate — increase 5% *	928	3,741	—	1,675	928	3,741	—	1,675
JPY/HK\$ exchange rate — decrease 5% *	(928)	(3,741)	—	(1,675)	(928)	(3,741)	—	(1,675)
RMB/HK\$ exchange rate — increase 5% *	(15,124)	(26,398)	(50,102)	(45,837)	(15,124)	(26,398)	(50,102)	(39,002)
RMB/HK\$ exchange rate — decrease 5% *	15,124	26,398	50,102	45,837	15,124	26,398	50,102	39,002
SGD/HK\$ exchange rate — increase 5% *	—	710	—	—	—	710	—	—
SGD/HK\$ exchange rate — decrease 5% *	—	(710)	—	—	—	(710)	—	—

* Holding all other variables constant

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates. The JV Group's financial assets and liabilities exposed to interest rate risk primarily are cash and amounts due from banks and other financial institutions, loans and advances to customers, investment securities measured at FVOCI and at amortised costs, deposits from customers and insurance contract liabilities. Changes in interest rate could have an impact on investment return as well as the valuation interest rate used in the calculation of the insurance contract liabilities.

The below assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

Sensitivity

Banking operation

As at 31 December 2019, 2020 and 2021 and 30 June 2022, if the interest rates of bank operation's interest rate sensitive assets and liabilities had been increased/decreased by 50 basis points at the end of the year/period and all other variables were held constant, the associated effects driven by the interest rate sensitive assets and liabilities from these changes on the JV Group's loss before income tax and equity are approximately:

Years/period end	Interest rate	(Increase)/ Decrease in loss before tax HK\$'000	Increase/ (Decrease) on equity HK\$'000
31 December 2019	+50 basis point	(6,192)	(6,692)
	-50 basis point	6,192	6,692
31 December 2020	+50 basis point	14,744	(8,541)
	-50 basis point	(14,744)	8,541
31 December 2021	+50 basis point	16,336	(7,785)
	-50 basis point	(16,336)	7,785
30 June 2022	+50 basis point	31,864	6,706
	-50 basis point	(31,864)	(6,706)

Insurance business

As at 31 December 2020, 31 December 2021 and 30 June 2022, if the interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the associated effects driven by the interest rate sensitive assets and liabilities from these changes on the JV Group's loss before income tax and equity are approximately:

		30 June 2022	
	Change in interest rate	(Increase)/ Decrease in loss before tax HK\$'000	Increase/ (Decrease) on equity HK\$'000
Investment in debt securities	+50 basis point	(4,952)	(10,008)
	-50 basis point	4,952	10,008
Insurance contract	+50 basis point	5,088	5,088
	-50 basis point	(5,179)	(5,179)

	Change in interest rate	31 December 2021	
		(Increase)/ Decrease in	Increase/ (Decrease) on
		loss before tax <i>HK\$'000</i>	equity <i>HK\$'000</i>
Investment in debt securities	+50 basis point	(2,402)	(8,954)
	-50 basis point	2,402	8,954
Insurance contract	+50 basis point	2,135	2,135
	-50 basis point	(2,178)	(2,178)
31 December 2020			
	Change in interest rate	(Increase)/ Decrease in	Increase/ (Decrease) on
		loss before tax <i>HK\$'000</i>	equity <i>HK\$'000</i>
Investment in debt securities	+50 basis point	(701)	(7,636)
	-50 basis point	701	7,636
Insurance contract	+50 basis point	248	248
	-50 basis point	(250)	(250)

Majority of the insurance operation's interest rate sensitive assets are fixed rate instruments. The insurance operation did not hold material interest rate sensitive assets or liabilities as at 31 December 2019.

(c) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The JV Group's financial asset exposed to equity price rate risk primarily are listed equity securities measured at FVPL.

The majority of the JV Group's equity investments are publicly trade in the Nasdaq.

The JV Group performed sensitivity analysis for reasonably possible movement in price with all other variables held constant.

As at 31 December 2020, 31 December 2021 and 30 June 2022, it is estimated that an increase/(decrease) of 10% in stock market price could have an impact of approximately HK\$4,341,000, HK\$3,069,000 and HK\$2,198,000, respectively (decrease)/increase on loss before tax and equity. There was no equity investment in 2019.

*(ii) Credit risk*Risk management

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations with agreed terms. Credit risk exists throughout the activities of the JV Group, including in the banking book, and both on- and off-balance sheet transactions. The credit risk exposure principally arises from investment in debt securities, lending of personal loan, commercial loan and corporate business, trade receivables from technology business and reinsurance assets and amounts due from insurance contract holders.

The JV Group has formulated a comprehensive set of policies and procedures that outlines the governance framework and appropriate credit limits to manage and monitor the credit risk that may arise from different credit portfolios in both portfolio level and individual level. The policies cover various areas including credit risk governance structure, customer selection criteria, customer acceptance criteria and post-approval monitoring. The principal objectives of such mechanism are:

- To analyze the credit risks of various credit portfolios, geographic locations of borrowers and types of loans, etc.;
- To forecast and monitor any changes in the credit rating and risk return dynamics in each credit portfolio;
- To evaluate the components and allocations of the credit portfolios regularly and make timely adjustments in case of changes in the economic environment/industry situations; and
- To implement effective capital and resources allocation over different types of credit-related activities, mainly through the re-balancing and controlling of the portfolios and the migration of the overall portfolio's credit risk hedging.

The overall credit risk is managed through a hierarchy of approval authorities of the JV Group.

The JV Group established a comprehensive monitoring process and intends to manage the risk level in the credit portfolio that aligns with the JV Group's risk appetite and identify any early warning signal of credit deterioration. Various metrics are adopted to assess and monitor the quality of credit exposure in both acquisition stage and post-approval stage. Accounts are classified into different risk levels based on their latest credit status and history. Loan facilities that miss the scheduled payment are managed separately with proper follow-up action. In addition to the condition of the customers, the quality of credit exposure may deteriorate due to adverse economic environment.

The JV Group monitors the performance of key macro-economic indicators. The JV Group also applies stress testing technique periodically to assess the vulnerability of the credit portfolio under adverse market condition. Ad hoc stress assessment will also be conducted when market seems to deteriorate.

The quality of the overall credit portfolio is assessed and monitored monthly by a few key indicators including 30 days-past-due ratio and gross credit charge-off amount in a calendar year. Senior management of the JV Group is alerted if the indicators breach the limit defined in risk appetite. Remedial action may be taken if necessary.

The JV Group also aims at holding a credit portfolio that has diversified characteristics to minimize the concentration risk. The JV Group identifies credit concentration risk by nature of products, geography, customer, counterparty and industry. The JV Group aims to pursue a diversified credit portfolio, with no concentration on a single customer and industry.

Expected credit loss (“ECL”) measurement

As explained in Note 2.10(iv), the JV Group assesses on a forward looking basis the ECL associated with its cash and amounts due from banks and other financial institutions, loans and advances to customers including commitments, investment securities measured at FVOCI, investment securities measured at amortised cost and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Under HKFRS 9, ECL exposures are classified into three stages:

- Stage 1 applies when there is no significant increase in credit risk since initial recognition. 12-month ECL is required for assets classified in stage 1.
- Stage 2 applies when a significant increase in credit risk has occurred on an individual or collective basis since initial recognition, with no objective evidence of credit event. Lifetime ECL calculation is required for assets classified in stage 2.
- Stage 3 applies when there is objective evidence of credit impairment. Lifetime ECL calculation is required for assets classified in stage 3.

Significant credit deterioration criteria have to be defined for assessing significant increases in credit risk, primarily based on the key requirements summarised below:

- Risk of default occurring at reporting time is compared against that of initial recognition
- Days past due exceeds 30 days
- Credit exhibits a deterioration in repayment ability.
- Number of notch downgraded three notches or more
- when the borrower is reported as Special Mention according to the loan classification of the Hong Kong Monetary Authority (“HKMA”). The decision to classify the loans is based on the borrower’s repayment ability and likelihood of individual counterparties defaulting.

When a financial instrument has objective evidence of impairment, such as default (considered to be default if it is 90 days past due), debt restructuring, inability of obtaining full repayment of principal on due date, bankruptcy of borrowers, it is classified as stage 3 exposure. Discounted cash flows model is conducted to estimate the expected credit loss of such exposures.

Calculation of ECL

The JV Group has adopted to use the statistical model approach, under which ECL is calculated as a function of probability of default (“PD”), loss given default (“LGD”), exposure at default (“EAD”) and expected life. To recognise ECL for financial instruments and incorporate forward-looking elements into the model, historical, current and forward-looking data are used in ECL calculation model.

Point-in-Time (“PiT”) PD is adopted in the ECL estimation. The JV Group took into account both qualitative and quantitative criteria while determining the approach for each product type.

LGD measures the loss severity in case of default, i.e. how much the JV Group expects to lose as a percentage of EAD when an account goes into default. It considers both secured portion and unsecured portion of the facility.

EAD is the amount that an entity is exposed to at the time of a loan’s default. Financial assets measured at amortized cost, fair value through other comprehensive income, loan commitment and financial guarantee contract are subject to impairment under HKFRS 9. We categorized these exposures into: 1) On-balance sheet financial assets; 2) Undrawn exposures, which can be further separated into i) Irrevocable; ii) Revocable retail; and iii) Revocable non-retail. The value of credit conversion factor (“CCF”) reflects the expected amount of undrawn amount to be drawn. Banking operation of the JV Group (the “Bank”) uses regulatory CCF, i.e. 50% and adjusted by internal loss experience and expert judgment if available. For syndicated loan, due to expert judgement towards its committed nature, a higher CCF is expected and thus CCF of 100% is adopted.

From time to time, the JV Group has established three macroeconomic scenarios for the ECL estimation. In the uncertain macroeconomic outlook, more weight is placed on a downside scenario. The JV Group continues to revisit and validate these macroeconomic scenarios in response to the changes of macro-environment. The final ECL is the probability weight-average result of these scenarios discounted to the date of the statement of financial position. The discount rate used is the effective interest rate.

For trade receivables, the JV Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Other receivables are measured as either 12 months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. In making this assessment, the JV Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

Incorporation of forward-looking information into the ECL models

HKFRS 9 requires an estimate of forward-looking ECL which is typically obtained through the use of forecasted macroeconomic factors (“MEFs”).

At 31 December 2019

The significant assumptions used for ECL estimations for the wholesale exposure are as follows:

		2020	
	Scenario	Forward- looking (Year end)	5 years' average (2020-2024)
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	6.11	3.70
	Base	3.96	3.03
	Bad	-1.46	2.28
Hong Kong Industrial Production: Manufacturing Index (Base Year: 2010)	Good	103.64	105.37
	Base	102.11	103.24
	Bad	98.04	99.36
Change in Hong Kong General Government Balance to GDP Ratio (%)	Good	-3.01	0.43
	Base	-3.33	0.14
	Bad	-6.72	-1.26
		2020	
	Scenario	Forward- looking (Year end)	5 years' average (2020-2024)
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	28,741.79	34,334.52
	Base	27,864.61	33,100.45
	Bad	25,958.98	30,768.91
China Unemployment Rate (%)	Good	3.85	3.94
	Base	4.06	4.07
	Bad	5.19	4.78

At 31 December 2020

The significant assumptions used for ECL estimations for the retail exposure are as follows:

		2021	
	Scenario	Forward- looking (Year end)	5 years' average (2021-2025)
Hong Kong Forecast Factors			
Hong Kong Unemployment Rate (%)	Good	3.15	2.96
	Base	3.46	3.12
	Bad	4.90	3.96
Property Price Index - Private Retail			
(Base Year: 1999)	Good	272.08	297.37
	Base	255.94	276.15
	Bad	217.12	239.75

The significant assumptions used for ECL estimations for the wholesale exposure are as follows:

		2021	
	Scenario	Forward- looking (Year end)	5 years' average (2021-2025)
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	10.87	4.23
	Base	7.48	3.52
	Bad	-2.38	2.75
Hong Kong Industrial Production: Manufacturing			
Index (Base Year: 2010)	Good	98.86	102.26
	Base	98.05	101.21
	Bad	95.66	99.18
Change in Hong Kong General Government Balance			
to GDP Ratio (%)	Good	1.31	2.11
	Base	0.61	1.73
	Bad	-1.29	0.56

	Scenario	2021	
		Forward-looking (Year end)	5 years' average (2021-2025)
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	29,555.64	35,127.24
	Base	28,526.15	33,743.40
	Bad	25,851.96	31,005.70
China Unemployment Rate (%)	Good	3.32	3.67
	Base	3.73	3.91
	Bad	5.05	4.65

At 31 December 2021

The significant assumptions used for ECL estimations for the retail exposure are as follows:

	Scenario	2022	
		Forward-looking (Year end)	5 years' average (2022-2026)
Hong Kong Forecast Factors			
Hong Kong Unemployment Rate (%)	Good	3.81	3.39
	Base	4.32	3.70
	Bad	5.76	4.57
Property Price Index - Private Retail (Base Year: 1999)	Good	580.14	618.81
	Base	555.02	584.88
	Bad	481.59	520.21

The significant assumptions used for ECL estimations for the wholesale exposure are as follows:

		2022	
	Scenario	Forward- looking (Year end)	5 years' average (2022-2026)
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	3.72	2.58
	Base	1.19	1.90
	Bad	-5.70	1.10
Hong Kong Industrial Production: Manufacturing Index (Base Year: 2010)	Good	106.18	108.25
	Base	104.63	106.25
	Bad	100.17	101.95
Change in Hong Kong General Government Balance to GDP Ratio (%)	Good	4.28	4.86
	Base	3.67	4.35
	Bad	-0.94	2.03
		2022	
	Scenario	Forward- looking (Year end)	5 years' average (2022-2026)
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	28,419.41	32,430.69
	Base	27,429.50	31,154.08
	Bad	24,858.11	28,611.98
China Unemployment Rate (%)	Good	3.57	3.71
	Base	3.96	4.00
	Bad	4.82	4.79

At 30 June 2022

The significant assumptions used for ECL estimations for the retail exposure are as follows:

		2022	
	Scenario	Forward- looking (Year end)	5 years' average (2022-2026)
Hong Kong Forecast Factors			
Hong Kong Unemployment Rate (%)	Good	3.56	3.19
	Base	3.98	3.54
	Bad	5.15	4.46
Property Price Index - Private Retail			
(Base Year: 1999)	Good	508.39	536.65
	Base	499.44	514.65
	Bad	478.84	456.28

The significant assumptions used for ECL estimations for the wholesale exposure are as follows:

		2022	
	Scenario	Forward- looking (Year end)	5 years' average (2022-2026)
Hong Kong Forecast Factors			
Real Gross Domestic Product Growth Rate (%)	Good	8.49	3.49
	Base	5.85	2.79
	Bad	-1.43	1.38
Hong Kong Industrial Production: Manufacturing			
Index (Base Year: 2010)	Good	124.04	128.60
	Base	113.75	117.02
	Bad	87.33	90.71
Change in Hong Kong General Government Balance			
to GDP Ratio (%)	Good	0.21	2.50
	Base	-0.29	1.99
	Bad	-4.19	-0.88

	Scenario	2022	
		Forward-looking (Year end)	5 years' average (2022-2026)
Mainland China Forecast Factors			
China Government Expenditure, Total (CNY Billion)	Good	26,445.96	31,440.92
	Base	28,439.04	31,703.62
	Bad	29,194.49	30,751.96
China Unemployment Rate (%)	Good	3.79	3.71
	Base	4.00	4.00
	Bad	4.31	4.74

The JV Group has developed three scenarios for macro-economic factors:

- Good scenario is reflective of the optimistic view of the economic performance in the future;
- Bad scenario is on the assumption of an economic recession; and
- Base scenario indicates the average performance of the economy.

The JV Group has considered the current economic performance, the market forecast and the management judgment on the economic outlook and assigned probability weighting to Good, Bad and Base Scenarios:

	As at 31 December			As at
	2019	2020	2021	30 June 2022
Good	10%	0%	5%	5%
Bad	10%	30%	50%	50%
Base	80%	70%	45%	45%

Management Overlay

The JV Group has applied the management overlay as at 31 December 2021 to supplement the limitation of modelling approach and the data availability and to take into account the potential credit deterioration of exposures in certain industry impacted by the macro-events. The amount of the management overlay represented 0.23% of debt securities portfolio and such amount is not significant to the ECL estimations. The JV Group did not apply any management overlay as at 31 December 2019, 2020 and 30 June 2022.

Sensitivity analysis

As at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, sensitivity analysis is conducted for the impact of impairment allowance results against the forward-looking macroeconomic variables on the basis that (i) Good scenario weight increases by 10% and Base scenario weight is lowered by 10%; (ii) Bad scenario weight increases by 10% and Base scenario weight is lowered by 10%; as follows:

	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Good +10% and Base -10%	(4)	(329)	(427)	(554)
Bad +10% and Base -10%	32	1,778	1,821	2,323

Credit Risk Grading

In order to fulfil the requirements of probability weighted forward-looking ECL, PiT PD is adopted in the ECL estimation. The JV Group took into account both qualitative and quantitative criteria while determining the approach for each product type. Two approaches were developed to capture the specific risk characteristics of products:

Exposure other than retail loans:

The principle of risk factor approach is to convert through-the-cycle ("TTC") PD, i.e. historical long-term average transition matrix, to PiT PD, i.e. transition matrix in a particular year reflecting the current economic situation at that time.

- Z risk factor approach for treasury investments, commercial loans and corporate loans: Due to insufficient internal default data, The JV Group built the PD model using external credit data i.e. transition matrix for non-retail portfolios.

Retail loans:

Based on external aggregated default data, point in time PD for each rating is calculated.

- Default curve extrapolation approach: Due to insufficient internal data in personal instalment loans, the JV Group leveraged the aggregated instalment loan default rate data by rating and developed the PD model using the curve extrapolation approach for unsecured personal loans.

Write-off policy

The JV Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The JV Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 were nil, nil, approximately HK\$1,914,000 and HK\$3,863,000 respectively. The JV Group still seeks to recover amounts it is legally owned in full, but which have been partially written off due to no reasonable expectation of full recovery.

Credit risk exposure

As at 31 December 2019, 2020 and 2021 and 30 June 2022, credit risk arises mainly from cash and amounts due from bank and other financial institutions, loans and advances to customers including commitments, investment securities measured at FVOCI, investment securities measured at amortised cost and trade and other receivables.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following tables contain analysis of the credit risk exposure of financial instruments. The gross carrying amount/exposure of financial assets below also represents the JV Group's maximum exposure to credit risk on these assets.

Financial assets subject to impairment

At 31 December 2019

	Gross carrying amount/exposure			Total HK\$'000	ECL allowance HK\$'000	Net HK\$'000
	Pass HK\$'000	Special mention HK\$'000	Sub- standard or below HK\$'000			
Loans and advances to customers						
-Stage 1	—	—	—	—	—	—
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income						
-Stage 1	99,913	—	—	99,913	(1)	99,912
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Investment in debt securities at amortised costs						
-Stage 1	—	—	—	—	—	—
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Cash and amounts due from banks and other financial institutions						
-Stage 1	2,262,944	—	—	2,262,944	(91)	2,262,853
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Credit commitments						
-Stage 1	—	—	—	—	—	—
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Trade and other receivables						
-Stage 1	37,704	—	—	37,704	—	37,704
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Total	2,400,561	—	—	2,400,561	(92)	2,400,469

At 31 December 2020

	Gross carrying amount/exposure			Total HK\$'000	ECL allowance HK\$'000	Net HK\$'000
	Pass HK\$'000	Special mention HK\$'000	Sub- standard or below HK\$'000			
Loans and advances to customers						
-Stage 1	682,396	—	—	682,396	(7,756)	674,640
-Stage 2	—	331	—	331	(92)	239
-Stage 3	—	—	771	771	(771)	—
Financial assets at fair value through other comprehensive income						
-Stage 1	5,036,272	—	—	5,036,272	(5,505)	5,030,767
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Investment in debt securities at amortised costs						
-Stage 1	298,488	—	—	298,488	(144)	298,344
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Cash and amounts due from banks and other financial institutions						
-Stage 1	3,021,741	—	—	3,021,741	(334)	3,021,407
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Credit commitments						
-Stage 1	30,000	—	—	30,000	(45)	29,955
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Trade and other receivables						
-Stage 1	108,173	—	—	108,173	—	108,173
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Total	9,177,070	331	771	9,178,172	(14,647)	9,163,525

At 31 December 2021

	Gross carrying amount/exposure			Total HK\$'000	ECL allowance HK\$'000	Net HK\$'000
	Pass HK\$'000	Special mention HK\$'000	Sub- standard or below HK\$'000			
Loans and advances to customers						
-Stage 1	2,545,368	—	—	2,545,368	(29,734)	2,515,634
-Stage 2	—	944	—	944	(263)	681
-Stage 3	—	—	4,685	4,685	(4,667)	18
Financial assets at fair value through other comprehensive income						
-Stage 1	5,199,836	—	—	5,199,836	(2,105)	5,197,731
-Stage 2	—	39,303	—	39,303	(15,564)	23,739
-Stage 3	—	—	—	—	—	—
Investment in debt securities at amortised costs						
-Stage 1	251,992	—	—	251,992	(149)	251,843
-Stage 2	—	20,427	—	20,427	(8,773)	11,654
-Stage 3	—	—	—	—	—	—
Cash and amounts due from banks and other financial institutions						
-Stage 1	3,104,212	—	—	3,104,212	(117)	3,104,095
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Credit commitments						
-Stage 1	189,137	—	—	189,137	(756)	188,381
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Trade and other receivables						
-Stage 1	201,432	—	—	201,432	—	201,432
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Total	11,491,977	60,674	4,685	11,557,336	(62,128)	11,495,208

At 30 June 2022

	Gross carrying amount/exposure			Total HK\$'000	ECL allowance HK\$'000	Net HK\$'000
	Pass HK\$'000	Special mention HK\$'000	Sub- standard or below HK\$'000			
Loans and advances to customers						
-Stage 1	4,128,944	—	—	4,128,944	(39,226)	4,089,718
-Stage 2	—	138,218	—	138,218	(1,604)	136,614
-Stage 3	—	—	9,057	9,057	(7,675)	1,382
Financial assets at fair value through other comprehensive income						
-Stage 1	5,612,469	—	—	5,612,469	(2,231)	5,610,238
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	39,231	39,231	(27,458)	11,773
Investment in debt securities at amortised costs						
-Stage 1	188,924	—	—	188,924	(56)	188,868
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	20,459	20,459	(13,733)	6,726
Cash and amounts due from banks and other financial institutions						
-Stage 1	1,775,570	—	—	1,775,570	(1)	1,775,569
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Credit commitments						
-Stage 1	251,357	—	—	251,357	(688)	250,669
-Stage 2	—	14,506	—	14,506	(126)	14,380
-Stage 3	—	—	11	11	(6)	5
Trade and other receivables						
-Stage 1	278,460	—	—	278,460	—	278,460
-Stage 2	—	—	—	—	—	—
-Stage 3	—	—	—	—	—	—
Total	12,235,724	152,724	68,758	12,457,206	(92,804)	12,364,402

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these methods is the taking of collateral for funds advanced. The Bank has internal guidelines on the acceptability of specific classes of collateral for credit risk mitigation. Guideline is in place to govern the management of collateral acceptable by the Bank and the guideline is reviewed periodically.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over land; and
- Charges over bank deposits.

In addition to the above, the Bank will also seek for guarantee where appropriate. To minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances which are partially secured or unsecured.

As of 31 December 2020, 31 December 2021 and 30 June 2022, all the impaired loans and advances are not covered by collateral. For the exposures of balances with central banks, placements with and advances to banks and investment securities measured at FVOCI, it is typically unsecured and uncollateralized. For loans and advances to customers as of 31 December 2020, 31 December 2021 and 30 June 2022, nil, 13.1% and 23.4% of the exposures are covered by collateral and other security, respectively. There is no loans and advances as at 31 December 2019.

Credit risk of insurance business

Credit risk of reinsurance assets is the risk that the JV Group may suffer from the loss due to the default of reinsurer. The risk is insignificant to the JV Group given it was around HK\$318,000 net reinsurance asset at 31 December 2020, 31 December 2021 and 30 June 2022 respectively. It is also regularly monitored by Reinsurance Committee to observe the credit rating and the solvency position of the reinsurer(s).

Credit risk of technology business

Management considers the expected loss rate on the trade and other receivables to be close to zero as the counterparties are generally with good credit standing and that the receivables are short-term. There was no observable loss in respect of these receivables in the past two years.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans and advances to customers

	Stage 1 12-month ECL <i>HK\$'000</i>	Stage 2 Lifetime ECL <i>HK\$'000</i>	Stage 3 Lifetime ECL <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loss allowance as at 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(72)	72	—	—
Transfer to Stage 3	(160)	—	160	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	<u>7,988</u>	<u>20</u>	<u>611</u>	<u>8,619</u>
Loss allowance as at 31 December 2020 and 1 January 2021	7,756	92	771	8,619
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(160)	160	—	—
Transfer to Stage 3	(716)	(93)	809	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	22,854	104	4,934	27,892
Write-offs	—	—	(1,914)	(1,914)
Recoveries	<u>—</u>	<u>—</u>	<u>67</u>	<u>67</u>
Loss allowance as at 31 December 2021 and 1 January 2022	29,734	263	4,667	34,664
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(972)	972	—	—
Transfer to Stage 3	(1,023)	(17)	1,040	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	11,487	386	5,779	17,652
Write-offs	—	—	(3,863)	(3,863)
Recoveries	<u>—</u>	<u>—</u>	<u>52</u>	<u>52</u>
Loss allowance as at 30 June 2022	<u>39,226</u>	<u>1,604</u>	<u>7,675</u>	<u>48,505</u>

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Treasury investments

	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019	—	—	—	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	1	—	—	1
Write-offs	—	—	—	—
Recoveries	—	—	—	—
As at 31 December 2019 and 1 January 2020	1	—	—	1
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	5,648	—	—	5,648
As at 31 December 2020 and 1 January 2021	5,649	—	—	5,649
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(2,284)	2,284	—	—
Transfer to Stage 3	—	—	—	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	(1,111)	22,053	—	20,942
As at 31 December 2021 and 1 January 2022	2,254	24,337	—	26,591
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	(24,337)	24,337	—
Changes in ECL from financial assets originated, purchased, derecognized and model parameters change	33	—	16,854	16,887
As at 30 June 2022	2,287	—	41,191	43,478

For the purpose of this disclosure, ECL of financial assets measured at FVOCI is included in loss allowance.

The following tables explain the changes in the gross exposure (gross carrying amount or exposure) between the beginning and the end of the annual period due to these factors:

Loans and advances to customers

	Stage 1	Stage 2	Stage 3	Total
	Gross	Gross	Gross	
	exposure	exposure	exposure	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(331)	331	—	—
Transfer to Stage 3	(771)	—	771	—
Net change in exposures	<u>683,498</u>	<u>—</u>	<u>—</u>	<u>683,498</u>
As at 31 December 2020 and 1 January 2021	682,396	331	771	683,498
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(1,010)	1,010	—	—
Transfer to Stage 3	(4,793)	—	4,793	—
Net change in exposures	1,868,775	(397)	1,035	1,869,413
Write-offs	<u>—</u>	<u>—</u>	<u>(1,914)</u>	<u>(1,914)</u>
As at 31 December 2021 and 1 January 2022	2,545,368	944	4,685	2,550,997
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(138,680)	138,680	—	—
Transfer to Stage 3	(6,347)	(61)	6,408	—
Net change in exposures	1,728,603	(1,345)	1,827	1,729,085
Write-offs	<u>—</u>	<u>—</u>	<u>(3,863)</u>	<u>(3,863)</u>
As at 30 June 2022	<u>4,128,944</u>	<u>138,218</u>	<u>9,057</u>	<u>4,276,219</u>

The following tables explain the changes in the gross exposure (gross carrying amount or exposure) between the beginning and the end of the annual period due to these factors:

Treasury investments

	Stage 1	Stage 2	Stage 3	Total
	Gross exposure	Gross exposure	Gross exposure	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019	—	—	—	—
Net change in exposures	<u>99,913</u>	<u>—</u>	<u>—</u>	<u>99,913</u>
As at 31 December 2019 and 1 January 2020	99,913	—	—	99,913
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	—	—	—
Net change in exposures	<u>5,234,847</u>	<u>—</u>	<u>—</u>	<u>5,234,847</u>
As at 31 December 2020 and 1 January 2021	5,334,760	—	—	5,334,760
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(59,730)	59,730	—	—
Transfer to Stage 3	—	—	—	—
Net change in exposures	<u>176,798</u>	<u>—</u>	<u>—</u>	<u>176,798</u>
As at 31 December 2021 and 1 January 2022	5,451,828	59,730	—	5,511,558
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	(59,690)	59,690	—
Net change in exposures	<u>349,565</u>	<u>(40)</u>	<u>—</u>	<u>349,525</u>
As at 30 June 2022	<u>5,801,393</u>	<u>—</u>	<u>59,690</u>	<u>5,861,083</u>

The management considers the loss allowance of credit commitments is insignificant. Cash and amounts due from banks and other financial institutions and trade and other receivables are classified in Stage 1 with no stage transition during the year.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and/or the availability of funding through an adequate amount of funding from ZhongAn Technology to meet obligations when due. At 31 December 2019, 2020 and 2021, and 30 June 2022, the JV Group held deposits at call of approximately HK\$2,263,000,000, HK\$3,042,928,000, HK\$3,104,095,000 and HK\$1,788,762,000 respectively that are expected to readily generate cash inflows for managing liquidity risk.

Maturity analysis

The tables below analyse the JV Group's financial liabilities into relevant maturity groupings based on their contractual dates, where applicable, the earliest callable date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Except lease liabilities and deposits from customers, balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	6 months or less	1 year or less but over 6 months	Over 1 year	Total contractual cash flows	Carrying amount liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2019					
Trade payables and other liabilities	50,601	—	—	50,601	50,601
Amount due to related parties	339,503	—	—	339,503	339,503
Lease liabilities	3,480	6,807	13,691	23,978	22,194
Deposits from customers	26,869	1	—	26,870	26,607
	<u>420,453</u>	<u>6,808</u>	<u>13,691</u>	<u>440,952</u>	<u>438,905</u>
Total	<u>420,453</u>	<u>6,808</u>	<u>13,691</u>	<u>440,952</u>	<u>438,905</u>
At 31 December 2020					
Trade payables and other liabilities	171,961	—	—	171,961	171,961
Amount due to related parties	593,113	—	—	593,113	593,113
Reinsurance payables	330	—	—	330	330
Insurance contract liabilities	—	4,129	45,359	49,488	49,488
Deposits from customers	6,010,986	5,268	—	6,016,254	6,012,613
Lease liabilities	5,242	4,888	6,223	16,353	16,723
	<u>6,781,632</u>	<u>14,285</u>	<u>51,582</u>	<u>6,847,499</u>	<u>6,844,228</u>
Total	<u>6,781,632</u>	<u>14,285</u>	<u>51,582</u>	<u>6,847,499</u>	<u>6,844,228</u>

	6 months or less <i>HK\$'000</i>	1 year or less but over 6 months <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total contractual cash flows <i>HK\$'000</i>	Carrying amount liabilities <i>HK\$'000</i>
At 31 December 2021					
Trade payables and other liabilities	361,992	—	—	361,992	361,992
Amount due to related parties	1,060,324	—	—	1,060,324	1,060,324
Reinsurance payables	1,497	—	—	1,497	1,497
Insurance contract liabilities	31,658	—	148,666	180,324	180,324
Deposits from customers	7,054,696	12,498	—	7,067,194	6,967,176
Lease liabilities	6,171	4,797	2,356	13,324	12,422
Total	<u>8,516,338</u>	<u>17,295</u>	<u>151,022</u>	<u>8,684,655</u>	<u>8,583,735</u>
At 30 June 2022					
Trade payables and other liabilities	381,719	—	—	381,719	381,719
Amount due to related parties	1,095,062	—	—	1,095,062	1,095,062
Reinsurance payables	4,980	—	—	4,980	4,980
Insurance contract liabilities	24,076	10,865	407,923	442,864	442,864
Deposits from customers	7,996,786	123,643	—	8,120,429	8,102,206
Lease liabilities	12,261	11,936	61,255	85,452	60,256
Total	<u>9,514,884</u>	<u>146,444</u>	<u>469,178</u>	<u>10,130,506</u>	<u>10,087,087</u>

(iv) Insurance risk

The JV Group is in the business of insuring against the risk of mortality, morbidity, accidents and related risks. The JV Group ensure all risks identified and systematically managed and the principal risks are summarised below:

Mortality risk is the risk of loss that the occurrence/amounts of death claims are higher than the assumptions made in insurance liabilities.

Morbidity risk is the risk of loss that the occurrence/amounts of non-death claims are higher than the assumptions made in insurance liabilities.

Expense risk is the risk of loss that the cost of writing new business and managing the in-force book exceeds the assumptions made in insurance liabilities.

Lapse risk is the risk that the ratio of policy termination is different from the expected.

Below sensitivity analysis is based on a change in the following assumption while holding all other assumptions constant.

30 June 2022	Assumption change	(Increase)/ decrease in loss before tax	(Decrease)/ increase in equity
Mortality	Increase 10%	(100,154)	(100,154)
	Decrease 10%	99,764	99,764
Morbidity	Increase 10%	(122,076)	(122,076)
	Decrease 10%	106,720	106,720
Expense	Increase 10%	(7,409,341)	(7,409,341)
	Decrease 10%	7,398,208	7,398,208
Lapse rate	Increase 10%	(2,770,481)	(2,770,481)
	Decrease 10%	2,917,157	2,917,157
31 December 2021	Assumption change	(Increase)/ decrease in loss before tax	(Decrease)/ increase in equity
Mortality	Increase 10%	(77,588)	(77,588)
	Decrease 10%	75,301	75,301
Morbidity	Increase 10%	(127,127)	(127,127)
	Decrease 10%	106,270	106,270
Expense	Increase 10%	(7,464,862)	(7,464,862)
	Decrease 10%	7,443,233	7,443,233
Lapse rate	Increase 10%	(2,770,481)	(2,770,481)
	Decrease 10%	2,917,157	2,917,157
31 December 2020	Assumption change	(Increase)/ decrease in loss before tax	(Decrease)/ increase in equity
Mortality	Increase 10%	(291,755)	(291,755)
	Decrease 10%	286,378	286,378
Morbidity	Increase 10%	(1,688,664)	(1,688,664)
	Decrease 10%	1,364,914	1,364,914
Expense	Increase 10%	(5,006,853)	(5,006,853)
	Decrease 10%	5,000,572	5,000,572
Lapse rate	Increase 10%	1,153,774	1,153,774
	Decrease 10%	(1,020,587)	(1,020,587)

There was no exposure to insurance risk in 2019.

Mitigate risks through underwriting strategy and reinsurance arrangement

With the assistance of reinsurer, the JV Group is in reinsurance arrangement with Hannover Re to transfer out 60-80% of mortality and morbidity risks in quota share basis, with a cap of our retention limit as HK\$1,000,000 per life and nil for Voluntary Health Insurance Scheme.

The JV Group also adheres to market-oriented underwriting and claims practices that have been developed based on the extensive development efforts.

Asset and liability matching

The JV Group is exposed to potential financial impact from changes in the value of assets and liabilities. Adverse market changes will affect the JV Group's overall solvency position and financial conditions. There is a robust framework to identify, monitor and manage the market risks, and the subsequent impact on the financial position of the JV Group. The main objective of Investment/Asset and Liability Management Committee ("I/ALCO") is to ensure the JV Group's current asset portfolio allocation is able to meet its liability and customers' reasonable expectation.

3.2 Capital management

The JV Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the JV Group consists share capital and redeemable preference shares. In order to maintain or adjust the capital structure, the JV Group will consider the macro economic conditions and adequacy of cash flows generating from operations and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares.

Capital management of banking operation

The Bank established the Capital Management Policy that outlines the governance structure and the capital management framework according to HKMA Supervisory Policy Manual ("SPM") on "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions" ("CA-G-1") and "Supervisory Review Process" ("CA-G-5"). Under the regulatory framework in Hong Kong, the Banking Subsidiary is required to meet three capital ratios, namely, the Common Equity Tier 1 capital, Tier 1 capital and Total capital respectively against risk-weighted assets. The objective of policy is to maintain a strong capital position to support the strategy of the banking business and serve as a buffer to absorb losses.

The Bank implements a hierarchy of authorities to manage the capital position. The board of directors oversees the effectiveness of the Banking Subsidiary's capital framework and ensures an appropriate organization structure for capital management.

Treasury department coordinates with the Asset and Liability Management (“ALM”) team from Finance department to implement the capital management strategy. Treasury Department is responsible for maintaining sufficient capital level which complies with the Capital Adequacy Ratio (“CAR”) while retaining flexibility to take advantage of future investment opportunities. ALM team is responsible for monitoring CAR and different capital limits, including common equity tier 1 ratio, tier 1 capital ratio, total capital ratio and leverage ratio and performing independent assessment on the Bank’s capital management activities and monitoring capital position. Finance department is responsible for reporting the limits utilization and any limit breaches to senior management. Finance department and treasury department report to the Asset and Liability Committee (“ALCO”) in relation to the monitoring of capital management.

The Bank defines a clear framework to assess and monitor the adequacy of the internal capital level, the Bank meets these objectives through the establishment of internal minimum capital requirements and a strong capital management governance framework.

Capital management of insurance business

The objective of the insurance business when managing capital is to comply with capital requirements specified in the Insurance Ordinance and to safeguard the ability to continue as a going concern so that can continue to provide returns for shareholders and benefits for other stakeholder by pricing insurance contracts which commensurate with the level of risk.

The JV Group was fully in compliance with required capital requirement defined by the Insurance Companies (Margin of Solvency) Rule. The table below summarises the minimum required capital and net surplus.

	2019	2020	2021	As at 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available capital	N/A	811,406	722,929	625,111
Solvency margin	N/A	5,032	18,514	30,375
Solvency margin ratio (%)	N/A	16,124	3,905	2,058

3.3 Fair value estimation

(i) Financial assets and liabilities

Fair value hierarchy

The following table presents the carrying value of the JV Group's financial assets recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

Recurring fair value measurements

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019				
Financial assets at FVOCI	—	99,973	—	99,973
Total financial assets	<u>—</u>	<u>99,973</u>	<u>—</u>	<u>99,973</u>
As at 31 December 2020				
Financial assets at FVOCI	—	5,036,151	—	5,036,151
Financial assets at FVPL	99,077	34,101	—	133,178
Total financial assets	<u>99,077</u>	<u>5,070,252</u>	<u>—</u>	<u>5,169,329</u>
As at 31 December 2021				
Financial assets at FVOCI	—	5,589,985	—	5,589,985
Financial assets at FVPL	89,027	136,812	—	225,839
Total financial assets	<u>89,027</u>	<u>5,726,797</u>	<u>—</u>	<u>5,815,824</u>
As at 30 June 2022				
Financial assets at FVOCI	—	5,347,099	—	5,347,099
Financial assets at FVPL	309,383	456,207	—	765,590
Total financial assets	<u>309,383</u>	<u>5,803,306</u>	<u>—</u>	<u>6,112,689</u>

The JV Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the JV Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. For debt securities which are valued based on observable broker quotation, the resulting fair value estimates are included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(ii) *Fair value of financial assets and financial liabilities not carried at fair value*

For financial assets and financial liabilities not carried at fair value on the Historical Financial Information, the JV Group has ascertained that their fair values were the reasonable approximation of the carrying amounts at year end due to short-term nature. The carrying amounts of the JV Group's financial instruments carried amortised cost are not materially different from their values as at 31 December 2020 and 2021 and 30 June 2022 except for the following financial instruments, for which their carrying amount and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount	Fair value	Fair measurements as at 31 December 2020 categorised into		
			Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial asset at amortised cost					
- Debt securities	<u>298,344</u>	<u>304,365</u>	<u>—</u>	<u>304,365</u>	<u>—</u>

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Fair measurements as at 31 December 2021 categorised into		
			Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Financial asset at amortised cost					
- Debt securities	<u>263,497</u>	<u>261,895</u>	<u>—</u>	<u>261,895</u>	<u>—</u>

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Fair measurements as at 30 June 2022 categorised into		
			Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Financial asset at amortised cost					
- Debt securities	<u>195,594</u>	<u>160,242</u>	<u>—</u>	<u>160,242</u>	<u>—</u>

4. Critical estimates and judgements

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the JV Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimate of future cash flows related to insurance contracts

In determining the insurance contract liabilities, the JV Group follows the Insurance (Determination of Long Term Liabilities) Rules and makes prudent assumptions which include appropriate margins for adverse deviation of the relevant factors. Estimates are made as to the expected number of deaths for each of the years in which the JV Group is exposed to risk. The JV Group bases mortality estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the JV Group's own experience. The estimated number of deaths plus an additional layer of prudence determines the value of the benefit payments and the value of the valuation premiums. The JV Group bases morbidity estimates on relevant industry experience, adjusted where appropriate to reflect the JV Group's own experience. The main source of uncertainty lies in the emerging trends of future population mortality and morbidity. The JV Group has exposure to both mortality and morbidity risk.

Estimates are also made as to future investment income arising from the assets backing long term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

The expense reserve is a statutory requirement that, based on estimated expenses needed to fulfil the inforce insurance policies if the JV Group were to cease to transact new business 12 months after the valuation date, and is subject to expense inflation risk.

A resilience reserve was set up and included in long term business fund liabilities in accordance with the Insurance (Determination of Long Term Liabilities) Rules to provide a prudent provision against the effects of possible future changes to the value of the assets to meet the liabilities. The amount of resilience reserve to be set up depends on the degree of change in interest rate and equity assumed.

The JV Group selects its key assumptions and performed sensitivity analysis through a prudent approach and to reflect the actual experience development. These assumptions are reviewed on an annual basis to ensure the assumptions used meet relevant regulatory requirement and the liabilities remain adequate.

(b) Product classification

The JV Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant risk, while investment contracts are those contracts without significant insurance risk. The JV Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would requires the JV Group to pay significant additional benefits to its customers. In the event the JV Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the financial statements as insurance or investment contract liabilities.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The JV Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the JV Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1 (ii).

(d) Income taxes and deferred taxations

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the year in which such estimate is changed.

(e) Incentives

As disclosed in Note 2.17, the Bank has reward programs on its debit card to provide incentives to cardholders as promotion purpose. Management judgment is required to determine the customers in the Bank's debit card business. Some of the factors are considered by management in making the judgement, including but not limited to the operational model of debit card business, effective contracts with relevant parties and design of the incentive program. The incentives are considered as marketing expenses instead of consideration payable to customers.

(f) Impairment of non-financial assets

The JV Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the years. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(g) Consolidation of entity with less than 50% ownership

The directors have concluded that the JV Co controls ZA Tech Global Limited ("ZA Tech Global"), even though it holds less than half of the equity interests of this subsidiary. The subscription agreement signed between the shareholders grants the JV Co potential voting rights and the right to appoint a majority of the board of directors and management responsible for directing the relevant activities.

(ii) Assets and liabilities related to contracts with customers

The JV Group does not have material contract assets and liabilities related to contracts with customers are as follows:

(a) Unsatisfied long-term support contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term license and post-implementation support contracts:

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Aggregate amount of the transaction price allocated to long-term license and post-implementation support contracts that are partially or fully unsatisfied	16,088	70,674	73,321	169,176

Management expects that all of the transaction price allocated to unsatisfied performance obligations as of 31 December 2019, 2020 and 2021 and 30 June 2022 will be recognised as revenue within the next three to five years. The amount disclosed above does not include variable consideration which is constrained.

All other support contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the JV Group has received payments from customers exceeding services rendered and recognised contract liabilities of HK\$7,097,000, HK\$21,877,000, HK\$29,257,000 and HK\$58,012,000, respectively.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Revenue recognised that was included in the contract liability balance at the beginning of the years/periods</i>					
License and post-implementation services	—	6,423	12,834	7,988	12,833

(Unaudited)

6. Interest income and expenses

(i) Net interest income from banking operations

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest income on financial assets					
- measured at amortised cost	18,825	29,997	46,371	18,476	46,868
- measured at FVOCI	2	35,936	100,575	50,954	63,855
	18,827	65,933	146,946	69,430	110,723
Less: interest expenses on deposits from customers	(60)	(37,797)	(60,096)	(34,697)	(21,553)
	<u>18,767</u>	<u>28,136</u>	<u>86,850</u>	<u>34,733</u>	<u>89,170</u>

(ii) Interest income from non-banking operations

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest income on financial assets					
- measured at amortised cost	3,023	21,713	11,903	5,688	7,935
- measured at FVOCI	1	5,049	10,931	4,640	7,616
- measured at FVPL	—	—	1,189	338	6,033
	<u>3,024</u>	<u>26,762</u>	<u>24,023</u>	<u>10,666</u>	<u>21,584</u>

11. Operating expenses

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Human resources expenses (Note 13)	345,340	518,057	768,789	274,408	453,881
Advertising and promotion expenses	2,786	83,683	212,498	116,821	129,967
Information technology expenses	12,235	63,264	65,530	18,809	54,800
Legal and professional fees	30,121	44,645	47,113	14,161	21,580
Rental fees	17,245	22,009	32,957	15,102	14,314
Depreciation and amortisation	13,832	21,492	27,283	14,255	17,349
Sales tax	2,974	11,340	706	10,778	(477)
Auditors' remuneration	1,481	4,803	5,425	2,341	3,532
Others	56,034	28,250	84,089	64,606	36,968
	<u>482,048</u>	<u>797,543</u>	<u>1,244,390</u>	<u>531,281</u>	<u>731,914</u>

The above expenses include amount charged by ZhongAn Technology and ZAOIL to the JV Group. The amount charged during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 were HK\$259,968,000, HK\$321,975,000, HK\$414,489,000, HK\$188,604,000 and HK\$68,269,000, respectively.

12. Net claims and benefits incurred and movement in liabilities to policyholders

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Life insurance					
Change in insurance contract liabilities and claims provision	—	49,485	132,361	4,555	261,124
Change in reinsurance assets and provision	—	(2,327)	(4,009)	(3,202)	771
Net claims and benefits incurred	—	3	525	144	44,515
	<u>—</u>	<u>47,161</u>	<u>128,877</u>	<u>1,497</u>	<u>306,410</u>

15. Expected credit losses on financial assets

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Change in expected credit losses	92	14,258	49,496	5,032	34,720
Attributable to:					
Financial assets at FVOCI	1	5,247	12,423	(4,247)	12,020
Investment in debt securities at amortised costs	—	—	8,778	—	4,867
Loans and advances to customers	—	8,619	27,474	9,505	17,652
Others	91	392	821	(226)	181
	<u>92</u>	<u>14,258</u>	<u>49,496</u>	<u>5,032</u>	<u>34,720</u>

16. Income tax

This note provides an analysis of the JV Group's income tax expense, shows how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the JV Group's tax position.

Hong Kong profits tax, Singapore, Japan and Ireland corporate tax have been provided at the effective rate of 16.5%, 17%, 30.62% and 12.5% respectively on the estimated assessable profits arising in Hong Kong, Singapore, Japan and Ireland during the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022.

(i) Current income tax

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Current tax expense	<u>3,070</u>	<u>73</u>	<u>225</u>	<u>—</u>	<u>—</u>

(ii) Numerical reconciliation of income tax expense to prima facie tax payable

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax	(349,117)	(609,805)	(849,113)	(347,948)	(146,631)
Tax at domestic tax rates applicable to profits in the respective countries	(64,566)	(99,433)	(128,790)	(59,323)	(52,680)
Tax effects of:					
Income not subject to tax	(4,909)	(8,214)	(3,354)	(443)	(27,712)
Expense not deductible for tax purpose	3,400	2,832	19,383	11,950	15,235
Tax effect of tax losses not recognised	68,960	108,072	126,323	51,044	69,562
Tax effect of utilisation of tax losses previously not recognised	—	(3,184)	(13,337)	(3,228)	(4,405)
Adjustments for current tax of prior periods	185	—	—	—	—
Income tax expense	<u>3,070</u>	<u>73</u>	<u>225</u>	<u>—</u>	<u>—</u>

In respect of the years of assessment 2020/21 and 2021/22 profits tax computations submitted to the Hong Kong Inland Revenue Department (“IRD”), ZA Life determined the assessable profits for its Class A business using the 5% of premiums basis per Section 23(1)(a) of the Inland Revenue Ordinance (“IRO”). During 2022, pursuant to Section 23(3) of the IRO, ZA Life elected the “adjusted surplus” method under Section 23(1)(b) of the IRO and will retrospectively apply this method on its assessable profits / adjusted loss for its Class A business in Hong Kong for the years of assessment 2020/21 and 2021/22. In this regard, the unused tax losses for the years ended 31 December 2020 and 2021 were adjusted to reflect the change.

(iii) Deferred income tax

The movements in net deferred income tax liabilities/(assets) for each of the year/period are as follows:

	Accelerated tax depreciation/ amortisation	Tax losses	Expected credit losses provision	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—
Charged/(credited) to consolidated statements of comprehensive income	<u>6,922</u>	<u>(4,511)</u>	<u>(2,411)</u>	<u>—</u>
As at 31 December 2020 and 1 January 2021	6,922	(4,511)	(2,411)	—
Charged/(credited) to consolidated statements of comprehensive income	<u>6</u>	<u>4,424</u>	<u>(4,430)</u>	<u>—</u>
As at 31 December 2021 and 1 January 2022	6,928	(87)	(6,841)	—
Charged/(credited) to consolidated statements of comprehensive income	<u>1,460</u>	<u>87</u>	<u>(1,547)</u>	<u>—</u>
As at 30 June 2022	<u><u>8,388</u></u>	<u><u>—</u></u>	<u><u>(8,388)</u></u>	<u><u>—</u></u>

As at 31 December 2019, 2020, 2021 and 30 June 2022, the JV Group had estimated unused tax losses of approximately HK\$523,461,000, HK\$1,034,684,000 (before Section 23(3) of IRO election: approximately HK\$858,946,000), HK\$1,716,871,000 (before Section 23(3) of IRO election: approximately HK\$1,453,596,000) and HK2,079,400,000 respectively available for offset against future profits. As at 31 December 2021 and 30 June 2022, the unused tax losses include a sum of approximately HK\$21,371,000 and HK\$37,194,000 respectively that will expire in 5 years. No deferred tax assets have been recognised in respect of such losses due to unpredictability of future profit streams.

17. Subsidiaries

The JV Group's principal subsidiaries are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the JV Group. The country of incorporation or registration is also their principal place of business.

Name of Entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Ownership interest/Board voting rights held by the JV Group			
			As at 31 December			As at
			2019	2020	2021	30 June
			2019	2020	2021	2022
			%	%	%	%
ZhongAn Financial Services Limited	Hong Kong, limited liability company	Investment holding, Hong Kong	100	100	100	100
ZA Bank Limited (Note a)	Hong Kong, limited liability company	Virtual bank, Hong Kong	100	100	100	100
ZA Tech Global Limited (Notes b & d)	Hong Kong, limited liability company	Technology Development/Technology Consulting, Hong Kong	49*/67	49*/67	49*/67	49*/67
ZA Tech Japan Inc. (Note b)	Japan, limited liability company	Technology Development/Technology Consulting, Japan	49*/67	49*/67	49*/67	—
ZA Tech Global (Cayman) Limited (Note b)	Cayman Islands, limited liability company	Technology Development/Technology Consulting, Cayman	49*/67	49*/67	49*/67	49*/67
ZA Tech Global (Singapore) Pte. Ltd. (Note b)	Singapore, limited liability company	Technology Development/Technology Consulting, Singapore	49*/67	49*/67	49*/67	49*/67
ZA Tech Global (Ireland) Ltd. (Note b & c)	Dublin, Ireland	Technology Development/Technology Consulting, Ireland	—	49*/67	49*/67	49*/67
ZA Life Limited (Note e)	Hong Kong, limited liability company	Life Insurance, Hong Kong	65/60	65/60	65/60	65/60

* The entities are classified as subsidiaries of the JV Co taking into account various factors, including the control being exercised through shareholding structure, voting rights in the board and related arrangements.

Notes:

- a) ZA Bank Limited is indirectly held by the JV Co and wholly-owned by ZhongAn Financial Services Limited.
- b) ZA Tech Japan Inc., ZA Tech Global (Cayman) Limited, ZA Tech Global (Singapore) Pte. Ltd., ZA Tech Global (Ireland) Limited are indirectly held by the JV Co and wholly-owned by ZA Tech Global Limited (“ZA Tech Global”). ZA Tech Japan Inc. was disposed on 1 February 2022 (Note 42).
- c) On 2 March 2020, ZA Tech Global set up ZA Tech Global (Ireland) Limited, with registered capital of EUR1,000. ZA Tech Global holds 100% of voting rights of ZA Tech Global (Ireland) Limited. The JV Co has control over ZA Tech Global (Ireland) Limited through ZA Tech Global.
- d) On 30 September 2020 and 4 August 2021, the JV Co together with SVF Zen JV Co (Singapore) Pte. Ltd. injected USD10,000,000 in total into ZA Tech Global respectively, amongst which the JV Co injected USD4,900,000 each time and SVF Zen JV Co (Singapore) Pte. Ltd. injected USD5,100,000 each time. After these two transactions, the JV Co still holds 49% of the ownership interest of ZA Tech Global and has the right to appoint a majority of the board of directors and management.
- e) On 20 April 2020, the JV Co together with Fubon Life Insurance (Hong Kong) Company Limited (“Fubon Life Insurance”) injected HK\$999,999,000 in total into ZA Life Limited, amongst which the JV Co injected HK\$649,999,350 and Fubon Life Insurance injected HK\$349,999,650. After this transaction, the paid-up capital of ZA Life Limited increased to HK\$1,000,000,000 in accordance with the registered capital. The JV Co holds 65% of the shareholder voting rights of ZA Life Limited.

17.1 Non-controlling interests (NCI)

Set out below is summarised financial information for subsidiary that has non-controlling interests that are material to the JV Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

ZA Tech Global Limited**Summarised consolidated statements of financial position**

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Current assets	258,388	298,677	273,164	617,217
Current liabilities	<u>(204,790)</u>	<u>(271,057)</u>	<u>(310,546)</u>	<u>(450,417)</u>
Net current assets	<u>53,598</u>	<u>27,620</u>	<u>(37,382)</u>	<u>166,800</u>
Non-current assets	35,927	36,161	61,228	39,625
Non-current liabilities	<u>(1,861)</u>	<u>(306)</u>	<u>(1,846)</u>	<u>(933)</u>
Net non-current assets	<u>34,066</u>	<u>35,855</u>	<u>59,382</u>	<u>38,692</u>
Net assets	<u>87,664</u>	<u>63,475</u>	<u>22,000</u>	<u>205,492</u>
Accumulated NCI	<u>33,151</u>	<u>19,821</u>	<u>(4,612)</u>	<u>107,201</u>

Summarised consolidated statements of comprehensive income

	Period from 29 March 2019 (date of subscription) to 31 December 2019 <i>HK\$'000</i>		Year Ended 31 December 2020 <i>HK\$'000</i>		Year Ended 31 December 2021 <i>HK\$'000</i>		Six months Ended 30 June 2021 <i>HK\$'000</i>	Six months Ended 30 June 2022 <i>HK\$'000</i>
	<i>(Unaudited)</i>							
Revenue	83,187	209,661	309,129	132,881	155,120			
(Loss)/profit for the years/periods	(91,767)	(109,726)	(107,275)	(33,654)	181,237			
Other comprehensive (expense)/income	(29)	6,088	(10,241)	(4,932)	(9,115)			
Total comprehensive (loss)/profit for the years/periods	<u>(91,796)</u>	<u>(103,638)</u>	<u>(117,516)</u>	<u>(38,586)</u>	<u>172,122</u>			
(Loss)/profit allocated to NCI	<u>(46,816)</u>	<u>(52,855)</u>	<u>(63,957)</u>	<u>(19,004)</u>	<u>92,769</u>			

Summarised consolidated statements of cash flows

	Period from 29 March 2019 (date of subscription) to 31 December 2019 <i>HK\$'000</i>		Year Ended 31 December 2020 <i>HK\$'000</i>		Year Ended 31 December 2021 <i>HK\$'000</i>		Six months Ended 30 June 2021 <i>HK\$'000</i>	Six months Ended 30 June 2022 <i>HK\$'000</i>
	<i>(Unaudited)</i>							
Cash generated from/(used in) operating activities	69,557	(57,326)	69,472	(3,553)	(16,154)			
Cash (used in)/generated from investing activities	(19,624)	(20,957)	(12,732)	(3,985)	72,908			
Cash generated from/(used in) financing activities	<u>156,003</u>	<u>74,674</u>	<u>(110,896)</u>	<u>(416)</u>	<u>(375)</u>			
Net increase/(decrease) in cash and cash equivalents	<u>205,936</u>	<u>(3,609)</u>	<u>(54,156)</u>	<u>(7,954)</u>	<u>56,379</u>			

ZA Life Limited

Summarised statements of financial position

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Total assets	8,739	1,024,026	1,062,696	1,184,605
Total liabilities	<u>(2,601)</u>	<u>(192,051)</u>	<u>(317,246)</u>	<u>(534,016)</u>
Net assets	<u>6,138</u>	<u>831,975</u>	<u>745,450</u>	<u>650,589</u>
Accumulated NCI	<u>(4,582)</u>	<u>290,830</u>	<u>259,863</u>	<u>228,604</u>

Summarised statements of comprehensive income

	Period from				
	27 February				
	2019 (date of				
	to 31	Year	Year	Six months	Six months
	December	Ended 31	Ended 31	Ended 30	Ended 30
	2019	2020	2021	June 2021	June 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
Revenue	<u>—</u>	<u>2,271</u>	<u>126,866</u>	<u>3,308</u>	<u>305,878</u>
Loss for the years/periods	(13,863)	(159,502)	(84,349)	(28,159)	(69,808)
Other comprehensive income/(expense)	<u>—</u>	<u>4,308</u>	<u>(4,129)</u>	<u>(9,657)</u>	<u>(25,606)</u>
Total comprehensive loss for the years/periods	<u>(13,863)</u>	<u>(155,194)</u>	<u>(88,478)</u>	<u>(37,816)</u>	<u>(95,414)</u>
Loss allocated to NCI	<u>(4,852)</u>	<u>(54,318)</u>	<u>(30,967)</u>	<u>(13,236)</u>	<u>(33,395)</u>

Summarised statements of cash flows

	Period from 27 February 2019 (date of subscription) to 31 December 2019		Year Ended 31 December 2020	Year Ended 31 December 2021	Six months Ended 30 June 2021	Six months Ended 30 June 2022
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>					
Cash (used in)/generated from operating activities	(11,262)	(14,239)	15,390	(16,540)	160,878	
Cash used in investing activities	—	(746,549)	(24,513)	(14,066)	(230,712)	
Cash generated from financing activities	20,000	980,000	—	—	—	
Net increase/(decrease) in cash and cash equivalents	<u>8,738</u>	<u>219,212</u>	<u>(9,123)</u>	<u>(30,606)</u>	<u>(69,834)</u>	

18. Property and equipment

JV Group

	Leasehold improvement <i>HK\$'000</i>	Furniture, fittings and equipment <i>HK\$'000</i>	Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019				
Opening net book amount	1,203	1,051	694	2,948
Additions	14,509	2,845	—	17,354
Depreciation charges	<u>(3,744)</u>	<u>(634)</u>	<u>(152)</u>	<u>(4,530)</u>
Closing net book amount	<u>11,968</u>	<u>3,262</u>	<u>542</u>	<u>15,772</u>
At 31 December 2019				
Cost	15,850	3,970	757	20,577
Accumulated depreciation	<u>(3,882)</u>	<u>(708)</u>	<u>(215)</u>	<u>(4,805)</u>
Net book amount	<u>11,968</u>	<u>3,262</u>	<u>542</u>	<u>15,772</u>
Year ended 31 December 2020				
Opening net book amount	11,968	3,262	542	15,772
Additions	4,690	3,681	—	8,371
Depreciation charges	(5,919)	(1,486)	(151)	(7,556)
Disposal	(495)	—	—	(495)
Effect of exchange translation	<u>11</u>	<u>24</u>	<u>—</u>	<u>35</u>
Closing net book amount	<u>10,255</u>	<u>5,481</u>	<u>391</u>	<u>16,127</u>
At 31 December 2020				
Cost	19,222	7,680	757	27,659
Accumulated depreciation	<u>(8,967)</u>	<u>(2,199)</u>	<u>(366)</u>	<u>(11,532)</u>
Net book amount	<u>10,255</u>	<u>5,481</u>	<u>391</u>	<u>16,127</u>

	Leasehold improvement <i>HK\$'000</i>	Furniture, fittings and equipment <i>HK\$'000</i>	Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Opening net book amount	10,255	5,481	391	16,127
Additions	1,181	3,716	—	4,897
Depreciation charges	(5,889)	(3,065)	(151)	(9,105)
Effect of exchange translation	(64)	(108)	—	(172)
Closing net book amount	<u>5,483</u>	<u>6,024</u>	<u>240</u>	<u>11,747</u>
At 31 December 2021				
Cost	20,281	11,262	757	32,300
Accumulated depreciation	<u>(14,798)</u>	<u>(5,238)</u>	<u>(517)</u>	<u>(20,553)</u>
Net book amount	<u>5,483</u>	<u>6,024</u>	<u>240</u>	<u>11,747</u>
As at 1 January 2022				
Opening net book amount	5,483	6,024	240	11,747
Additions	7,682	5,634	—	13,316
Depreciation charges	(4,052)	(1,238)	(76)	(5,366)
Disposal of subsidiaries	(930)	(554)	—	(1,484)
Reclassification	1,333	(1,333)	—	—
Effect of exchange translation	(15)	(93)	—	(108)
Closing net book amount	<u>9,501</u>	<u>8,440</u>	<u>164</u>	<u>18,105</u>
At 30 June 2022				
Cost	28,352	13,740	757	42,849
Accumulated depreciation	<u>(18,851)</u>	<u>(5,300)</u>	<u>(593)</u>	<u>(24,744)</u>
Net book amount	<u>9,501</u>	<u>8,440</u>	<u>164</u>	<u>18,105</u>

JV Co

	Leasehold improvement	Furniture, fittings and equipment	Vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2019				
Opening net book amount	1,203	1,051	694	2,948
Additions	14,509	2,845	—	17,354
Depreciation charges	<u>(3,744)</u>	<u>(634)</u>	<u>(152)</u>	<u>(4,530)</u>
Closing net book amount	<u>11,968</u>	<u>3,262</u>	<u>542</u>	<u>15,772</u>
At 31 December 2019				
Cost	15,850	3,970	757	20,577
Accumulated depreciation	<u>(3,882)</u>	<u>(708)</u>	<u>(215)</u>	<u>(4,805)</u>
Net book amount	<u>11,968</u>	<u>3,262</u>	<u>542</u>	<u>15,772</u>
Year ended 31 December 2020				
Opening net book amount	11,968	3,262	542	15,772
Additions	3,967	399	—	4,366
Depreciation charges	(5,540)	(833)	(151)	(6,524)
Disposal	<u>(495)</u>	<u>—</u>	<u>—</u>	<u>(495)</u>
Closing net book amount	<u>9,900</u>	<u>2,828</u>	<u>391</u>	<u>13,119</u>
At 31 December 2020				
Cost	18,476	4,369	757	23,602
Accumulated depreciation	<u>(8,576)</u>	<u>(1,541)</u>	<u>(366)</u>	<u>(10,483)</u>
Net book amount	<u>9,900</u>	<u>2,828</u>	<u>391</u>	<u>13,119</u>

	Leasehold improvement <i>HK\$'000</i>	Furniture, fittings and equipment <i>HK\$'000</i>	Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Opening net book amount	9,900	2,828	391	13,119
Additions	—	306	—	306
Depreciation charges	<u>(5,400)</u>	<u>(921)</u>	<u>(151)</u>	<u>(6,472)</u>
Closing net book amount	<u>4,500</u>	<u>2,213</u>	<u>240</u>	<u>6,953</u>
At 31 December 2021				
Cost	18,476	4,675	757	23,908
Accumulated depreciation	<u>(13,976)</u>	<u>(2,462)</u>	<u>(517)</u>	<u>(16,955)</u>
Net book amount	<u>4,500</u>	<u>2,213</u>	<u>240</u>	<u>6,953</u>
Six months ended 30 June 2022				
Opening net book amount	4,500	2,213	240	6,953
Additions	7,138	1,488	—	8,626
Depreciation charges	<u>(3,200)</u>	<u>(499)</u>	<u>(76)</u>	<u>(3,775)</u>
Closing net book amount	<u>8,438</u>	<u>3,202</u>	<u>164</u>	<u>11,804</u>
At 30 June 2022				
Cost	25,614	6,163	757	32,534
Accumulated depreciation	<u>(17,176)</u>	<u>(2,961)</u>	<u>(593)</u>	<u>(20,730)</u>
Net book amount	<u>8,438</u>	<u>3,202</u>	<u>164</u>	<u>11,804</u>

19. Leases***JV Group***

This note provides information for leases where the JV Group is a lessee.

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Right-of-use assets				
Buildings	16,516	13,552	8,263	58,056
Equipment	3,274	1,740	1,135	567
	<u>19,790</u>	<u>15,292</u>	<u>9,398</u>	<u>58,623</u>
Lease liabilities				
Current	9,946	10,149	10,115	16,142
Non-current	12,248	6,574	2,307	44,114
	<u>22,194</u>	<u>16,723</u>	<u>12,422</u>	<u>60,256</u>

Additions to the right-of-use assets during the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 were HK\$8,507,000, HK\$6,777,000, HK\$6,722,000 and HK\$56,918,000 respectively.

(ii) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Six months ended	
	2019	2020	2021	30 June	2022
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Depreciation charge of right-of-use assets					
Buildings	6,767	7,925	8,218	5,507	5,404
Equipment	1,637	1,715	1,740	589	567
	<u>8,404</u>	<u>9,640</u>	<u>9,958</u>	<u>6,096</u>	<u>5,971</u>
Interest expense (Note 14)	1,398	1,039	680	367	793
Expense relating to leases of low-value assets	51	68	—	—	2,731

The total cash outflows for leases during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 were HK\$8,861,000, HK\$11,438,000, HK\$9,465,000, HK\$7,628,000 and HK\$10,526,000 respectively.

JV Co

This note provides information for leases where the JV Co is a lessee.

(i) *Amounts recognised in the statements of financial position*

The statements of financial position show the following amounts relating to leases:

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Right-of-use assets				
Buildings	11,985	696	3,760	30,710
Equipment	<u>1,310</u>	<u>8,288</u>	<u>—</u>	<u>—</u>
	<u>13,295</u>	<u>8,984</u>	<u>3,760</u>	<u>30,710</u>
Lease liabilities				
Current	5,345	6,211	5,550	7,669
Non-current	<u>10,388</u>	<u>4,954</u>	<u>461</u>	<u>25,087</u>
Total	<u>15,733</u>	<u>11,165</u>	<u>6,011</u>	<u>32,756</u>

20. Intangible assets

JV Group

	Software <i>HK\$'000</i>	Licence <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 January 2019	—	—	—
Additions	<u>14,695</u>	<u>—</u>	<u>14,695</u>
At 31 December 2019 and 1 January 2020	14,695	—	14,695
Additions	<u>29,199</u>	<u>1,886</u>	<u>31,085</u>
At 31 December 2020 and 1 January 2021	43,894	1,886	45,780
Additions	<u>5,891</u>	<u>1,023</u>	<u>6,914</u>
At 31 December 2021 and 1 January 2022	49,785	2,909	52,694
Additions	64,674	—	64,674
Exchange realignment	<u>(963)</u>	<u>—</u>	<u>(963)</u>
At 30 June 2022	<u>113,496</u>	<u>2,909</u>	<u>116,405</u>
Accumulated amortisation			
At 1 January 2019	—	—	—
Amortisation for the year	<u>898</u>	<u>—</u>	<u>898</u>
At 31 December 2019 and 1 January 2020	898	—	898
Amortisation for the year	<u>4,296</u>	<u>—</u>	<u>4,296</u>
At 31 December 2020 and 1 January 2021	5,194	—	5,194
Amortisation for the year	<u>8,220</u>	<u>—</u>	<u>8,220</u>
At 31 December 2021 and 1 January 2022	13,414	—	13,414
Amortisation for the period	6,012	—	6,012
Effect of exchange translation	<u>249</u>	<u>—</u>	<u>249</u>
At 30 June 2022	<u>19,675</u>	<u>—</u>	<u>19,675</u>
Net book value at 31 December 2019	<u>13,797</u>	<u>—</u>	<u>13,797</u>
Net book value at 31 December 2020	<u>38,700</u>	<u>1,886</u>	<u>40,586</u>
Net book value at 31 December 2021	<u>36,371</u>	<u>2,909</u>	<u>39,280</u>
Net book value at 30 June 2022	<u>93,821</u>	<u>2,909</u>	<u>96,730</u>

21. Investments accounted for using the equity method

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Carrying amount in the consolidated statements of financial position	<u>31,397</u>	<u>46,334</u>	<u>91,940</u>	<u>68,154</u>

The directors of the JV Group consider that none of the associates and joint ventures as at 31 December 2019, 2020 and 2021 and 30 June 2022 were significant to the JV Group and thus the individual financial information of the associates and joint ventures were not disclosed. The summarised financial information of individually immaterial associates and joint ventures on an aggregate basis were as follows:

	Year ended 31 December			Six months ended	
	2019	2020	2021	30 June	
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				<i>(Unaudited)</i>	
Share of profit/(loss) for the years/periods	<u>28</u>	<u>(33,953)</u>	<u>(17,066)</u>	<u>(7,222)</u>	<u>(11,684)</u>
Share of total comprehensive income/(loss) for the year/periods	<u>28</u>	<u>(33,953)</u>	<u>(17,066)</u>	<u>(7,222)</u>	<u>(11,684)</u>

22. Loans and advances to customers

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Corporate customers	—	30,000	535,615	1,874,637
Individual customers	—	652,754	2,011,946	2,394,638
	—	682,754	2,547,561	4,269,275
Less: expected credit losses allowances	—	(8,619)	(34,664)	(48,505)
	—	674,135	2,512,897	4,220,770

23. Trade and other receivables

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Trade receivables	37,703	74,473	112,377	153,019
Deposit	—	15,503	77,965	78,451
Other receivables	1	18,197	11,090	46,990
	37,704	108,173	201,432	278,460

The JV Group's credit terms to trade debtors normally range from 0 to 30 days. An aging analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Within 30 days	22,585	37,322	80,500	75,632
31-60 days	9,948	641	5,948	2
61-90 days	5,170	10,793	17,908	20,091
Over 90 days	—	25,717	8,021	57,294
	<u>37,703</u>	<u>74,473</u>	<u>112,377</u>	<u>153,019</u>

As at 31 December 2019, 2020 and 2021 and 30 June 2022, no loss allowance was made on the trade receivables and no trade receivables were written off.

24. Reinsurance assets

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Amounts recoverable from reinsurers	—	—	168	233
Ceded insurance contract liabilities	—	2,327	5,122	5,414
	<u>—</u>	<u>2,327</u>	<u>5,290</u>	<u>5,647</u>
Expected to be settled				
- within one year	—	515	981	914
- after one year	—	1,812	4,309	4,733
	<u>—</u>	<u>2,327</u>	<u>5,290</u>	<u>5,647</u>

25. Financial assets at FVOCI

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Debt securities				
Listed	99,973	2,559,603	3,829,308	4,488,037
Unlisted	—	2,476,548	1,760,677	859,062
	<u>99,973</u>	<u>5,036,151</u>	<u>5,589,985</u>	<u>5,347,099</u>
Type of issuer				
Sovereign	99,973	—	9,875	13,490
Banks and other financial institutions	—	2,784,980	2,559,274	2,462,674
Corporates	—	2,251,171	3,020,836	2,870,935
	<u>99,973</u>	<u>5,036,151</u>	<u>5,589,985</u>	<u>5,347,099</u>

JV Co

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Debt securities				
- Listed in Hong Kong	—	—	398,643	—
	<u>—</u>	<u>—</u>	<u>398,643</u>	<u>—</u>

26. Financial assets at FVPL

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Equities securities				
- Listed - Hong Kong	—	30,107	17,742	22,335
- Listed - Overseas	—	18,252	20,118	236,329
Debt securities				
- Unlisted	—	34,100	136,812	456,207
Other investments	—	50,719	51,167	50,719
	—	133,178	225,839	765,590

JV Co

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Other investments	—	50,719	51,167	50,719

27. Investment in debt securities at amortised costs

JV Group

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Debt securities				
- Unlisted	—	298,488	272,419	209,383
Less: expected credit losses allowances	—	(144)	(8,922)	(13,789)
	—	298,344	263,497	195,594

28. Cash and amounts due from banks and other financial institutions

JV Group

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Cash at bank and on hand	1,027,781	1,356,657	2,027,871	3,889,811	1,458,488
Amounts due from banks and other financial institutions	1,235,163	1,665,084	1,076,341	1,389,223	317,082
Less: expected credit losses allowances	<u>(91)</u>	<u>(334)</u>	<u>(117)</u>	<u>(136)</u>	<u>(1)</u>
	<u>2,262,853</u>	<u>3,021,407</u>	<u>3,104,095</u>	<u>5,278,898</u>	<u>1,775,569</u>

(i) Reconciliation to consolidated statements of cash flows

The above figures reconcile to the amount of cash shown in the consolidated statements of cash flows at the end of the financial year as follows:

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Balances as above	2,262,853	3,021,407	3,104,095	5,278,898	1,775,568
Expected credit losses	91	334	117	136	1
Placements with and advances to banks original maturity exceeding three months	<u>—</u>	<u>(863,000)</u>	<u>(547,341)</u>	<u>(515,000)</u>	<u>(50,000)</u>
Balances per consolidated statements of cash flows	<u>2,262,944</u>	<u>2,158,741</u>	<u>2,556,871</u>	<u>4,764,034</u>	<u>1,725,569</u>

JV Co

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Cash at bank and on hand	<u>772,387</u>	<u>143,038</u>	<u>324,772</u>	<u>173,119</u>

29. Other assets*JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Prepaid expenses	13,386	38,648	40,441	24,191
Deposits	4,797	5,831	31	29
Others	<u>313</u>	<u>467</u>	<u>5,152</u>	<u>12,644</u>
	<u>18,496</u>	<u>44,946</u>	<u>45,624</u>	<u>36,864</u>

30. Trade payables and other liabilities*JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Trade payables	—	22,972	638	435
Salaries payables	23,320	31,163	124,268	128,371
Other liabilities	<u>27,281</u>	<u>117,826</u>	<u>237,086</u>	<u>252,913</u>
	<u>50,601</u>	<u>171,961</u>	<u>361,992</u>	<u>381,719</u>

At 31 December 2019, 2020 and 2021 and 30 June 2022, the ageing analysis of the trade payables of JV Group based on invoice date are follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Within 30 days	—	13,132	388	48
31-60 days	—	8,462	—	9
61-90 days	—	27	—	63
Over 90 days	—	1,351	250	315
	—	22,972	638	435

JV Co

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Salaries payables	20,433	1,786	7,636	7,746
Other liabilities	474	892	46,704	52,507
	20,907	2,678	54,340	60,253

31. Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the JV Group had the following transactions with its related parties during the Track Record Period.

(i) Key management personnel compensation

Transactions with key management personnel and the entity controlled or jointly controlled by a person identified as key management personnel (“key management personnel”) have been disclosed below.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries	6,122	3,771	10,016	3,824	3,828
Bonus and pension	—	10	2,361	2,622	5,415
Other benefits	—	1,633	2,858	678	6,332
	<u>6,122</u>	<u>5,414</u>	<u>15,235</u>	<u>7,124</u>	<u>15,575</u>

(ii) Transactions with related parties

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the JV Group has the following transactions with the key management personnel.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest expense	<u>4</u>	<u>10</u>	<u>1,319</u>	<u>18</u>	<u>11</u>
Interest income	<u>—</u>	<u>1</u>	<u>28</u>	<u>(8)</u>	<u>(17)</u>

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Deposits from customers	687	2,548	119,959	8,086
Interest payable	—	4	112	4
Accounts payable and accruals	4	—	2	—
	<u>691</u>	<u>2,552</u>	<u>120,073</u>	<u>8,090</u>
Interest receivable	—	—	—	1
Loans and advances to customers	—	945	2,443	1,970
	<u>—</u>	<u>945</u>	<u>2,443</u>	<u>1,971</u>

The JV Group has certain outsourcing arrangements with ZhongAn Technology in which ZhongAn Technology provides technical service support and human resources service support to the JV Group.

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the JV Group has the following transactions with ZhongAn Technology.

	Year ended 31 December			Six months ended	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>
Technical service fees	<u>14,666</u>	<u>13,427</u>	<u>14,773</u>	<u>5,912</u>	<u>10,847</u>
Human resources service fees	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,629</u>

*(iii) Year-end balance of payables with related parties**JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
ZhongAn Technology	317,568	560,155	1,010,030	1,032,311
ZA Online	<u>21,935</u>	<u>32,958</u>	<u>50,294</u>	<u>62,751</u>
	<u>339,503</u>	<u>593,113</u>	<u>1,060,324</u>	<u>1,095,062</u>

JV Co

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
ZhongAn Technology	317,568	548,507	998,335	1,031,842
ZA Online	<u>21,935</u>	<u>32,958</u>	<u>50,217</u>	<u>56,532</u>
	<u>339,503</u>	<u>581,465</u>	<u>1,048,552</u>	<u>1,088,374</u>

The balances are repayable on demand, unsecured and non-interest bearing.

*(iv) Year-end deposits from customers**JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Other related party	<u>—</u>	<u>—</u>	<u>4,357</u>	<u>9,042</u>

*(v) Year-end financial assets at FVOCI**JV Group*

	As at 31 December			As at 30
	2019	2020	2021	June
	HK\$'000	HK\$'000	HK\$'000	2022
ZA Online	—	23,486	22,967	21,784

32. Insurance contract liabilities*JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Benefits reserve	—	3,671	135,006	397,546
Expense reserve	—	45,817	45,318	45,318
	—	49,488	180,324	442,864
Expected to be settled				
- within one year	—	4,129	31,825	34,941
- after one year	—	45,359	148,499	407,923
	—	49,488	180,324	442,864

33. Deposits from customers*JV Group*

	As at 31 December			As at
	2019	2020	2021	30 June
	HK\$'000	HK\$'000	HK\$'000	2022
Saving deposits	8,639	3,885,056	5,030,202	3,587,096
Time deposits	17,968	2,127,557	1,936,974	4,515,110
	26,607	6,012,613	6,967,176	8,102,206

34. Share capital

	Number of shares	Nominal value of shares <i>RMB'000</i>	Equivalent nominal value of shares <i>HK\$'000</i>
Issued and fully paid:			
As at 1 January 2019	100,000,000	110,000	129,659
Issue of ordinary shares	<u>800,000,000</u>	<u>784,314</u>	<u>869,657</u>
As at 31 December 2019 and 1 January 2020	900,000,000	894,314	999,316
Issue of ordinary shares	<u>1,200,000,000</u>	<u>1,176,470</u>	<u>1,316,283</u>
As at 31 December 2020 and 1 January 2021	2,100,000,000	2,070,784	2,315,599
Issue of ordinary shares	<u>452,984,526</u>	<u>1,417,661</u>	<u>1,725,406</u>
As at 31 December 2021 and 1 January 2022	2,552,984,526	3,488,445	4,041,005
Issue of ordinary shares	<u>105,088,530</u>	<u>439,393</u>	<u>544,464</u>
As at 30 June 2022	<u><u>2,658,073,056</u></u>	<u><u>3,927,838</u></u>	<u><u>4,585,469</u></u>

On 16 October 2019, 408,000,000 ordinary shares were issued by the JV Co to ZhongAn Technology at RMB400,000,000 (equivalent to approximately HK\$443,523,000) for cash; and 392,000,000 ordinary shares to the Company at RMB384,313,725 (equivalent to approximately HK\$426,134,000) for cash. All cash were paid up on the date of issuance.

On 16 January 2020, the JV Co allotted issued 612,000,000 ordinary shares to ZhongAn Technology at RMB600,000,000 (equivalent to approximately HK\$665,284,000) for cash; and 588,000,000 ordinary shares to the Company at RMB576,470,588 (equivalent to approximately HK\$650,999,000) for cash. All cash were paid up on 16 January 2020.

On 25 October 2021, the JV Co allotted and issued 206,164,594 ordinary shares to Warrior Treasure Limited (“Warrior”) at RMB376,250,383 (equivalent to approximately HK\$457,520,000). The proceeds from the issuance of ordinary shares to Warrior was settled by the payment of redemption of 376,250,383 redeemable preference shares held by Warrior.

On 27 October 2021, the JV Group entered into a share purchase agreement with ZhongAn Technology, the Company, Warrior and AIA VCC for a/c of AIA Opportunities Fund - Venture Capital 2021 ("AIA VCC"). On 23 November 2021, the JV Group allotted and issued 81,735,522 ordinary shares to ZhongAn Technology at RMB344,867,832 (equivalent to approximately HK\$419,696,000) for cash; 74,212,258 ordinary shares to the Company at RMB313,124,819 (equivalent to approximately HK\$381,580,000) for cash; 15,145,358 ordinary shares to Warrior at RMB63,903,021 (equivalent to approximately HK\$77,768,000) for cash; and 75,726,794 ordinary shares to AIA VCC at RMB319,515,122 (equivalent to approximately HK\$388,842,000) for cash. All cash were paid up on 23 November 2021.

On 2 March 2022, the JV Co allotted and issued 105,885,530 ordinary shares to ZhongAn Technology at RMB439,392,589 (equivalent to approximately HK\$544,464,000) for cash. All cash were paid up on 8 March 2022.

35. Redeemable preference shares

		Number of shares	Total HK\$'000
At 1 January 2019		614,166,500	700,000
Issue of redeemable preference shares	(i)	814,105,000	936,277
Redemption of redeemable preference shares	(ii)	<u>(140,000,000)</u>	<u>(155,556)</u>
At 31 December 2019 and 1 January 2020		1,288,271,500	1,480,721
Redemption of redeemable preference shares	(iii)	<u>(480,000,000)</u>	<u>(542,012)</u>
At 31 December 2020 and 1 January 2021		808,271,500	938,709
Issue of redeemable preference shares	(iv)	500,000,000	600,197
Redemption of redeemable preference shares	(v)	<u>(404,135,750)</u>	<u>(491,714)</u>
At 31 December 2021 and 1 January 2022		904,135,750	1,047,192
Redemption of redeemable preference shares	(vi)	<u>(654,135,750)</u>	<u>(793,637)</u>
At 30 June 2022		<u>250,000,000</u>	<u>253,555</u>

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, the JV Co issued and redeemed the following redeemable preference shares:

- (i) On 4 February 2019, the JV Co issued to Warrior 342,048,000 redeemable preference shares at a total consideration of RMB342,048,000 (equivalent to approximately HK\$400,000,000). On 26 July 2019, the JV Co issued to Warrior 378,507,500 redeemable preference shares at a total consideration of RMB378,507,500 (equivalent to approximately HK\$430,000,000). On 26 July 2019, the JV Co issued to the Company 93,549,500 redeemable preference shares at a total consideration of RMB93,549,500 (equivalent to approximately HK\$106,276,000).
- (ii) On 16 October 2019, 140,000,000 redeemable preference shares held by the Company were redeemed.
- (iii) On 16 January 2020, 480,000,000 redeemable preference shares held by the Company were redeemed.
- (iv) On 3 May 2021, the JV Co issued to the Company 500,000,000 redeemable preference shares at a total consideration of RMB500,000,000 (equivalent to approximately HK\$600,197,000).
- (v) On 25 October 2021, 404,135,750 redeemable preference shares held by Warrior were redeemed.
- (vi) On 4 March 2022, 404,135,750 redeemable preference shares held by Warrior were redeemed. On 13 May 2022, 250,000,000 redeemable preference shares held by the Company were redeemed.

The redeemable preference shares have no fixed maturity and redeemable at the JV Co's discretion. In the event an return of capital, liquidation, dissolution or winding-up of the JV Co, the holders of redeemable preference shares shall be entitled to receive in cash, the amount of contribution attributable to the then issued and outstanding redeemable preference shares together with the yield amount as at the date of abovementioned events.

36. Share-based payments

(i) *Subsidiary Share Option Schemes*

The JV Co and its subsidiaries, being ZA Life Limited ("ZA Life") and ZA Tech Global Limited ("ZA Tech Global"), each adopted a subsidiary share option scheme (each and collectively referred to as "Subsidiary Share Option Schemes") with the approval of the extraordinary general meeting of shareholders of ZA Online on 29 December 2020. The purpose for each of the Subsidiary Share Option Schemes is to enable the JV Co, ZA Life and ZA Tech Global to grant share options on the shares of the JV Co, ZA Life and ZA Tech Global, respectively, to their respective eligible participants (the "Grantees") as incentives or rewards for their contribution to the growth of the JV Group and to provide the JV Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary Share Option Schemes.

The board of directors of the JV Co, ZA Life and ZA Tech Global (or through its administration committee) shall respectively determine the exercise price for the share option of the JV Co, ZA Life and ZA Tech Global with reference to the respective net asset value per underlying share of the JV Co, ZA Life and ZA Tech Global at the time of grant.

The vesting of the share options under each of the Subsidiary Share Option Schemes shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the Grantees as set out in the relevant offer letter provided that (a) the grantee shall be continuously employed through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer lettered in the offer letter; and (b) other conditions (if any) as determined by the respective board of directors of the JV Co, ZA Life and ZA Tech Global in its absolute discretion.

The maximum aggregate number of shares of the JV Co, ZA Life and ZA Tech Global which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Subsidiary Share Option Scheme must not exceed 10% of the issued share capital of the JV Co, ZA Life and ZA Tech Global respectively ("Scheme Limit") as at the adoption date of the respective Subsidiary Share Option Scheme, subject to adjustment in the event of specified capitalization events from time to time as described in the Subsidiary Share Option Schemes.

As at the date of this report, options representing the right to subscribe for a total of 145,926,445, 35,402,650 and 2,596,000 shares of the JV Co, ZA Life and ZA Tech Global respectively were still outstanding under the Subsidiary Share Option Schemes which represents approximately 6.95%, 3.54% and 8.65% of the issued ordinary shares of the JV Co, ZA Life and ZA Tech Global on the adoption date of the Subsidiary Share Option Schemes.

The Subsidiary Share Option Schemes shall be valid and effective for a period of 10 years commencing from the approval of the Subsidiary Share Option Schemes.

On 30 December 2020, the JV Co, ZA Life and ZA Tech Global granted 109,951,100, 27,484,500 and 2,268,000 share options respectively to the Grantees ("First Batch"). On 25 June 2021, the JV Co, ZA Life and ZA Tech Global granted 43,918,370, 840,000 and 762,000 share options respectively to the Grantees ("Second Batch"). On 20 January 2022, the JV Co granted 12,280,000 share options to the Grantees ("Third Batch"). On 8 April 2022, ZA Life granted 12,062,900 share options to the Grantees ("Fourth Batch").

Based on fair value of the underlying shares, the directors have used binomial pricing model to determine the fair value of the share options as of the grant date.

(a) JV Co

Set out below are summaries of options granted under the plan and outstanding:

	Average exercise price per share option HK\$	Number of options
As at 1 January 2019, 31 December 2019 and 1 January 2020	—	—
Granted during the year	<u>1.34</u>	<u>109,951,100</u>
As at 31 December 2020 and 1 January 2021	1.34	109,951,100
Granted during the year	1.34	43,918,370
Exercised during the year	1.34	(127,050)
Forfeited during the year	<u>1.34</u>	<u>(8,429,600)</u>
As at 31 December 2021 and 1 January 2022	1.34	145,312,820
Granted during the period	1.50	12,280,000
Exercised during the period	1.34	(252,600)
Forfeited during the period	<u>1.35</u>	<u>(6,409,875)</u>
As at 30 June 2022	<u><u>1.35</u></u>	<u><u>150,930,345</u></u>

There are no expiry of share options during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	31 December 2019	31 December 2020	31 December 2021	30 June 2022
30 December 2020	30 December 2030	HK\$1.34	—	109,951,100	101,794,450	97,941,575
25 June 2021	25 June 2031	HK\$1.34	—	—	43,518,370	40,988,770
20 January 2022	20 January 2032	HK\$1.50	—	—	—	12,000,000
Total			<u>—</u>	<u>109,951,100</u>	<u>145,312,820</u>	<u>150,930,345</u>
Weighted average remaining contractual life of options outstanding at end of year/period			N/A	10 years	9.15 years	8.72 years

(b) ZA Life

Set out below are summaries of options granted under the plan and outstanding:

	Average exercise price per share option HK\$	Number of options
As at 1 January 2019, 31 December 2019 and 1 January 2020	—	—
Granted during the year	<u>1.17</u>	<u>27,484,500</u>
As at 31 December 2020 and 1 January 2021	1.17	27,484,500
Granted during the year	1.17	840,000
Forfeited during the year	<u>1.17</u>	<u>(2,475,000)</u>
As at 31 December 2021 and 1 January 2022	1.17	25,849,500
Granted during the period	1.31	12,062,900
Forfeited during the period	<u>1.17</u>	<u>(2,509,750)</u>
As at 30 June 2022	<u><u>1.22</u></u>	<u><u>35,402,650</u></u>

There are no exercise or expiry of share options during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	31 December 2019	31 December 2020	31 December 2021	30 June 2022
30 December 2020	30 December 2030	HK\$1.17	—	27,484,500	25,009,500	22,899,750
25 June 2021	25 June 2031	HK\$1.17	—	—	840,000	440,000
8 April 2022	8 April 2032	HK\$1.31	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,062,900</u>
Total			<u>—</u>	<u>27,484,500</u>	<u>25,849,500</u>	<u>35,402,650</u>
Weighted average remaining contractual life of options outstanding at end of year/period			N/A	10 years	9.03 years	8.95 years

(c) ZA Tech Global

Set out below are summaries of options granted under the plan and outstanding:

	Average exercise price per share option HK\$	Number of options
As at 1 January 2019, 31 December 2019 and 1 January 2020	—	—
Granted during the year	<u>9.40</u>	<u>2,268,000</u>
As at 31 December 2020 and 1 January 2021	9.40	2,268,000
Granted during the year	9.40	762,000
Exercise during the year	9.40	(102,500)
Forfeited during the year	<u>9.40</u>	<u>(47,500)</u>
As at 31 December 2021 and 1 January 2022	9.40	2,880,000
Forfeited during the period	<u>9.40</u>	<u>(55,000)</u>
As at 30 June 2022	<u><u>9.40</u></u>	<u><u>2,825,000</u></u>

There are no expiry of share options during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2019	Share options 31 December 2020	Share options 31 December 2021	Share options 30 June 2022
30 December 2020	30 December 2030	HK\$9.40	—	2,268,000	2,118,000	2,118,000
25 June 2021	25 June 2031	HK\$9.40	—	—	762,000	707,000
			<u>—</u>	<u>2,268,000</u>	<u>2,880,000</u>	<u>2,825,000</u>
Total			<u>—</u>	<u>2,268,000</u>	<u>2,880,000</u>	<u>2,825,000</u>
Weighted average remaining contractual life of options outstanding at end of year/period			N/A	10 years	9.14 years	8.63 years

Fair value of share options granted

First Batch key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Life	ZA Tech Global
Dividend rate (%)	0.00	0.00	0.00
Volatility (%)	26.81	30.00	50.00
Risk free interest rate (%)	0.54	0.54	0.54
Life of options (in years)	10	10	10
Estimated share price at grant date according to sum-of-the-parts approach (in HKD)	0.71	0.81	9.74
Exercise price (in HKD)	1.34	1.17	9.40

Second Batch key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Life	ZA Tech Global
Dividend rate (%)	0.00	0.00	0.00
Volatility (%)	39.62	30.00	50.00
Risk free interest rate (%)	1.12	1.12	1.12
Life of options (in years)	10	10	10
Estimated share price at grant date according to sum-of-the-parts approach (in HKD)	1.53	0.77	10.96
Exercise price (in HKD)	1.34	1.17	9.40

Third Batch key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Life	ZA Tech Global
Dividend rate (%)	0.00	N/A	N/A
Volatility (%)	42.57	N/A	N/A
Risk free interest rate (%)	1.62	N/A	N/A
Life of options (in years)	10	N/A	N/A
Estimated share price at grant date according to sum-of-the-parts approach (in HKD)	4.56	N/A	N/A
Exercise price (in HKD)	1.50	N/A	N/A

Fourth Batch key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Life	ZA Tech Global
Dividend rate (%)	N/A	0.00	N/A
Volatility (%)	N/A	30.00	N/A
Risk free interest rate (%)	N/A	2.48	N/A
Life of options (in years)	N/A	10	N/A
Estimated share price at grant date according to sum-of-the-parts approach (in HKD)	N/A	0.66	N/A
Exercise price (in HKD)	N/A	1.3091	N/A

The total expenses recognised in the consolidated statements of comprehensive income for Subsidiary Share Option Schemes is disclosed in Note 13.

(ii) Subsidiary Restricted Share Unit Schemes

The JV Co and its subsidiaries, being ZA Tech Global, each adopted a subsidiary restricted share unit scheme (each and collectively referred to as “Subsidiary Restricted Share Unit Schemes”) with the approval of the general meeting of shareholders of the JV Co on 15 September 2020 and the approval of the general meeting of shareholders of ZA Tech Global Limited on 24 June 2021 respectively. The purpose for each of the Subsidiary Restricted Share Unit Schemes is to enable the JV Co and ZA Tech Global to grant restricted shares unit (“RSU”) of the JV Co and ZA Tech Global Limited, respectively, to their respective eligible participants (the “RSU Grantees”) as incentives or rewards for their contribution to the growth of the JV Group and to provide the JV Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary Restricted Share Unit Schemes.

The board of directors of the JV Co and ZA Tech Global (or through its administration committee) shall respectively determine the consideration of the RSUs (“Grant Price”) of the JV Co and ZA Tech Global at the time of grant.

The vesting of the RSUs under each of the Subsidiary Restricted Share Unit Schemes shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs made to the RSU Grantees as set out in the relevant offer letter provided that (a) the grantee shall be continuously employed through the vesting date, the awarded RSUs shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (b) other conditions (if any) as determined by the respective board of directors of the JV Co and ZA Tech Global in its absolute discretion.

The maximum outstanding number of shares of the JV Co and ZA Tech Global which may be allotted and issued under the respective Restricted Share Unit Scheme must not exceed 10% of the issued share capital of the JV Co and ZA Tech Global respectively ("RSU Scheme Limit") as at the adoption date of the respective Subsidiary Restricted Share Unit Scheme, subject to adjustment in the event of specified capitalization events from time to time as described in the Subsidiary Restricted Share Unit Schemes.

As at the date of this report, a total of 98,535,000 and 538,000 shares of the JV Co and ZA Tech Global respectively were still outstanding and may be allotted and issued under the Subsidiary Restricted Share Unit Schemes which represents approximately 4.69% and 1.79% of the issued ordinary shares of the JV Co and ZA Tech Global on the adoption date of the Subsidiary Restricted Share Unit Schemes.

The Subsidiary Restricted Share Unit Schemes shall be valid and effective for a period of 10 years commencing from the respective adoption date of the Subsidiary Restricted Share Unit Schemes.

On 25 June 2021, ZA Tech Global granted 588,000 RSUs to the RSU Grantees ("First Batch RSU"). On 8 April 2022, the JV Co granted 73,205,000 RSUs to the RSU Grantees ("Second Batch RSU").

Based on fair value of the underlying shares, the directors have used binominal pricing model to determine the fair value of the RSUs as of the grant date.

(a) *JV Co*

Set out below are summaries of RSUs granted under the plan and outstanding:

	Average Grant Price per RSU	Number of RSUs
	<i>HK\$</i>	
As at 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	—	—
Granted during the period	1.50	73,205,000
Forfeited during the period	<u>1.50</u>	<u>(2,750,000)</u>
As at 30 June 2022	<u>1.50</u>	<u>70,455,000</u>

There are no exercise or expiry of RSUs during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

RSUs outstanding at the end of the year/period have the following expiry date and Grant Prices:

Grant date	Expiry date	Grant Price	31 December 2019	31 December 2020	31 December 2021	30 June 2022
8 April 2022	8 April 2032	HK\$1.50	—	—	—	70,455,000
Weighted average remaining contractual life of RSUs outstanding at end of year/period			N/A	N/A	N/A	9.78 years

(b) *ZA Tech Global*

Set out below are summaries of RSUs granted under the plan and outstanding:

	Average Grant Price per RSU HK\$	Number of RSUs
As at 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021	—	—
Granted during the year	<u>9.40</u>	<u>588,000</u>
As at 31 December 2021 and 1 January 2022	9.40	588,000
Forfeited during the period	<u>9.40</u>	<u>(20,000)</u>
As at 30 June 2022	<u>9.40</u>	<u>568,000</u>

There are no exercise or expiry of RSUs during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

RSUs outstanding at the end of the year/period have the following expiry date and Grant Prices:

Grant date	Expiry date	Grant Price	31 December 2019	31 December 2020	31 December 2021	30 June 2022
25 June 2021	25 June 2031	HK\$9.40	—	—	588,000	568,000
Weighted average remaining contractual life of RSUs outstanding at end of year/period			N/A	N/A	9.49 years	8.99 years

Fair value of RSUs granted

First Batch RSU key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Tech Global
Dividend rate (%)	N/A	0.00
Volatility (%)	N/A	50.00
Risk free interest rate (%)	N/A	1.12
Life of RSUs (in years)	N/A	10
Estimated RSU at grant date according to sum-of-the-parts approach (in HKD)	N/A	10.96
Grant Price (in HKD)	N/A	9.40

Second Batch RSU key assumptions of the JV Co and its subsidiaries are set out as below:

	JV Co	ZA Tech Global
Dividend rate (%)	0.00	N/A
Volatility (%)	41.63	N/A
Risk free interest rate (%)	2.48	N/A
Life of RSUs (in years)	10	N/A
Estimated RSU at grant date according to sum-of-the-parts approach (in HKD)	3.29	N/A
Grant Price (in HKD)	1.50	N/A

The total expenses recognised in the consolidated statements of comprehensive income for Subsidiary Restricted Share Unit Schemes is disclosed in Note 13.

37. Note to consolidated statements of cash flows

(i) Reconciliation from loss before income tax to cash (used in)/generated from operating activities

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
				(Unaudited)	
Loss before income tax	(349,117)	(609,805)	(849,113)	(347,948)	(146,631)
Adjustment for:					
Depreciation for property and equipment	4,530	7,556	9,105	4,153	5,366
Amortisation for intangible assets	898	4,296	8,220	4,006	6,012
Depreciation for right-of-use assets	8,404	9,640	9,958	6,096	5,971
Loss on disposal of property and equipment and right-of-use assets	—	495	—	—	—
Interest expenses arising from lease liabilities	1,398	1,039	680	367	793
Foreign exchange (gains) / loss	(2,239)	(342)	(564)	2,794	(50,027)
Net investment (income) / loss	—	(6,130)	9,296	5,936	219,631
Employee share options	—	3,499	17,500	2,283	31,428
Share of results from associates	(28)	33,953	17,066	7,222	11,684
Service fee income from related parties	(11,745)	(13,950)	—	—	(3,524)
Changes in expected credit losses on financial assets	92	14,157	49,496	5,032	34,720
Gain on disposal of subsidiaries	—	—	—	—	(124,609)
Gain on disposal of associates	—	—	—	—	(363,920)
Changes in operating assets and liabilities:					
Increase in trade and other receivables	(34,074)	(70,448)	(93,259)	(101,074)	(92,518)
(Increase) / decrease in interest receivables	(3,573)	(39,413)	(3,156)	3,822	(6,512)
(Increase) / decrease in placement with and advances to banks original maturity exceeding three months	—	(863,000)	315,659	348,000	497,341
Increase in loans and advances to customers	—	(682,803)	(1,866,718)	(693,803)	(1,725,525)
Increase in premium receivables	—	(13)	(58)	(43)	(52)
Increase in reinsurance assets	—	(2,327)	(2,963)	—	(357)
(Increase) / decrease in reinsurers' share of insurance contract	—	—	(1,214)	(3,602)	1,129
Increase in other assets	(9,138)	(26,447)	(1,032)	(452)	(20,493)
Increase in trade payables and other liabilities	46,541	121,360	190,031	111,384	39,643
Increase in contract liabilities	—	14,780	7,380	9,156	36,641
Increase in reinsurance payables	—	330	1,167	611	3,483
Increase in insurance contract liabilities	—	49,488	130,836	4,558	262,540
Increase in the amount due to related parties	265,290	253,610	467,211	182,124	34,738
Increase in deposits from customers	26,607	5,986,006	954,563	1,684,813	1,135,030
Cash (used in) / generated from operating activities	<u>(56,154)</u>	<u>4,185,531</u>	<u>(629,909)</u>	<u>1,235,435</u>	<u>(208,018)</u>

(ii) Non-cash investing activities

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Acquisition of investments accounted for using the equity method with non-cash consideration	11,746	—	—	—	—
Non-cash capital contribution	—	13,950	—	—	3,524
Disposal of associates with non-cash consideration	—	—	—	—	368,232
Addition of right-of-use assets	8,507	6,777	6,722	—	56,918
	<u>11,746</u>	<u>13,950</u>	<u>6,722</u>	<u>—</u>	<u>56,918</u>

*(Unaudited)**(iii) Reconciliation of liabilities from financing activities*

	Promissory notes HK\$'000	Leases HK\$'000	Total HK\$'000
Balance as at 1 January 2019	(30,111)	(22,495)	(52,606)
Cash flows	30,111	8,810	38,921
Addition of new lease liabilities	—	(8,507)	(8,507)
Foreign exchange adjustments	—	(2)	(2)
	<u>—</u>	<u>(2)</u>	<u>(2)</u>
Balance as at 31 December 2019 and 1 January 2020	—	(22,194)	(22,194)
Cash flows	—	11,370	11,370
Addition of new lease liabilities	—	(6,777)	(6,777)
Foreign exchange adjustments	—	167	167
Other changes	—	711	711
	<u>—</u>	<u>711</u>	<u>711</u>
Balance as at 31 December 2020 and 1 January 2021	—	(16,723)	(16,723)
Cash flows	—	9,465	9,465
Addition of new lease liabilities	—	(6,722)	(6,722)
Foreign exchange adjustments	—	1,558	1,558
	<u>—</u>	<u>1,558</u>	<u>1,558</u>
Balance as at 31 December 2021 and 1 January 2022	—	(12,422)	(12,422)
Cash flows	—	7,795	7,795
Addition of new lease liabilities	—	(56,918)	(56,918)
Disposal of subsidiaries	—	3,639	3,639
Foreign exchange adjustments	—	(2,350)	(2,350)
	<u>—</u>	<u>(2,350)</u>	<u>(2,350)</u>
Balance as at 30 June 2022	<u>—</u>	<u>(60,256)</u>	<u>(60,256)</u>

38. Reserve movement of the JV Co

	Accumulated losses	Reserves
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2019	(134,112)	—
Loss for the year	(125,338)	—
Redemption of redeemable preference shares	<u>(10,009)</u>	<u>—</u>
Balance at 31 December 2019 and 1 January 2020	(269,459)	—
Profit for the year	35,724	—
Redemption of redeemable preference shares	(36,014)	—
Employee share options	<u>—</u>	<u>868</u>
Balance at 31 December 2020 and 1 January 2021	(269,749)	868
Loss for the year	(22,053)	—
Redemption of redeemable preference shares	(77,265)	—
Employee share options	—	9,669
Exercise of share options	<u>—</u>	<u>170</u>
Balance at 31 December 2021 and 1 January 2022	(369,067)	10,707
Profit for the period	14,083	—
Redemption of redeemable preference shares	(89,131)	—
Employee share options	<u>—</u>	<u>3,013</u>
Balance at 30 June 2022	<u>(444,115)</u>	<u>13,720</u>

39. Benefit and interest of the Directors of the JV Co

During the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022, except as disclosed below, no other emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors of the JV Co. No consideration was provided to or receivable by third parties for making available directors' services during the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities during the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

No director of the JV Co had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the JV Co's business to which the JV Co was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

Directors' emoluments

The aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the JV Co or its subsidiary undertaking, pursuant to section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) were set out below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries	3,824	3,771	10,016	3,824	3,828
Bonus and pension	700	10	2,361	2,622	5,415
Other benefits	341	1,633	2,858	678	6,332
	<u>4,865</u>	<u>5,414</u>	<u>15,235</u>	<u>7,124</u>	<u>15,575</u>

40. Dividends

No dividend was paid or proposed for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

41. Commitments

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Credit commitments with an original maturity of:				
- 1 year or over	—	—	75,116	34,500
- unconditionally cancellable	—	30,000	114,021	231,374
	<u>—</u>	<u>30,000</u>	<u>189,137</u>	<u>265,874</u>

42. Disposal of subsidiaries**(i) Disposal of ZA Tech Japan Inc.**

On 26 January 2022, ZA Tech Global Limited entered into a share purchase agreement with Softbank Corp. to sell 400 ordinary shares of ZA Tech Japan Inc., representing 100% of the issued and outstanding shares of ZA Tech Japan Inc. to Softbank Corp. with a total consideration of JPY1,731,370,000 (equivalent to approximately HK\$116,867,000). The transaction was completed on 1 February 2022.

The assets and liabilities of ZA Tech Japan Inc. as at the date of disposal were as follow:

	<i>HK\$'000</i>
Plant and equipment	1,484
Right-of-use assets	3,051
Trade and other receivables	15,471
Other assets	2,334
Bank balances and cash	402
Trade payables and other liabilities	(8,910)
Contract liabilities	(10,193)
Lease liabilities	<u>(3,639)</u>
Net assets disposed of	—
Gain on disposal	<u>116,867</u>
	<u>116,867</u>
Satisfied by:	<i>HK\$'000</i>
Cash consideration	<u>116,867</u>
Analysis of the net inflow of cash and cash equivalents from disposal:	<i>HK\$'000</i>
Net cash proceeds	116,867
Cash and cash equivalents disposed of	<u>(402)</u>
Net inflow of cash and cash equivalents	<u>116,465</u>

During the six months ended 30 June 2022, ZA Tech Japan Inc. contributed approximately revenue of HK\$8,344,000 and loss of HK\$501,000 to the JV Group.

43. Contingent liabilities

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the JV Group had no material contingent liabilities.

44. Events occurring after the reporting period*(i) Issuance and allotment of ordinary shares of the JV Co*

On 2 September 2022, the JV Co, ZhongAn Technology, the Company, Warrior and AIA VCC entered into the share purchase agreement, pursuant to which the Company conditionally agreed to subscribe for, and the JV Co conditionally agreed to issue and allot 156,060,606 new ordinary shares of the JV Co for a total consideration of US\$102,999,999.96 in cash (approximately HK\$806,490,000).

After the completion of the subscription of the Company on 14 September 2022, the voting interest held by ZhongAn Technology, the Company, Warrior and AIA VCC in the JV Co shall be 44.70%, 44.75%, 7.86% and 2.69%, respectively.

(ii) Redemption of redeemable preference shares

On 9 September 2022, 250,000,000 redeemable preference shares held by the Company were redeemed for RMB250,000,000 (approximately HK\$284,699,000).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the JV Co or any of its subsidiaries in respect of any period subsequent to 30 June 2022 and up to the date of this report. No dividend or distribution has been declared or made by the JV Co or any of its subsidiaries in respect of any period subsequent to 30 June 2022 and up to the date of this report.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON JV Co

Set out below is the management discussion and analysis of JV Co and its subsidiaries (together, the “JV Group”) for each of the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, which is based on financial information of JV Co as set out in the accountant’s report in Appendix II to this circular.

FOR THE YEAR ENDED DECEMBER 31, 2019

BUSINESS OVERVIEW

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

On January 16, 2019, JV Co and Grab Holdings Inc. (“**Grab**”, a leading O2O platform in Southeast Asia) announced to form a joint venture company to jointly explore the Internet insurance distribution business in Southeast Asia. JV Co will establish a digital insurance sales platform and provide back-office technology support for the joint venture company.

On March 27, 2019, ZA Bank Limited (“**ZA Bank**”, formerly known as ZhongAn Virtual Finance Limited), a subsidiary of JV Co, was granted the first batch of Hong Kong virtual banking licenses by Hong Kong Monetary Authority to provide online financial services in Hong Kong. On April 11, 2019, ZA Tech Global Limited, a subsidiary of JV Co, has entered into a strategic partnership with NTUC Income, a leading insurer in Singapore, to scale innovation in digital insurance in Singapore.

On December 18, 2019, as the first virtual bank in Hong Kong, ZA Bank announced the launch of its pilot trial to offer a brand new experience of its banking services to the selected users in Hong Kong before full business launch to the general public. The pilot will be conducted under the Fintech Supervisory Sandbox of HKMA. At the beginning of the pilot, ZA Bank will provide services for approximately 2,000 local retail customers to gather feedbacks for further improvement of its service platform, so as to make preparations for its full official business launch.

FINANCIAL REVIEW

Revenue and Loss for the Period

For the year ended December 31, 2019, JV Group had revenue and other income of approximately HK\$134 million. The revenue was mainly attributed to income from implementation services, license services and post-implementation support services to customers of approximately HK\$110 million and interest and other income of HK\$24 million. The total expenses amounted to

HK\$484 million. The expenses mainly comprised of human resources expenses amounting to HK\$345 million, legal and professional fee amounting to HK\$30 million, information technology expenses amounting to HK\$12 million and rent & property management fee amounting to HK\$17 million. JV Group recorded total comprehensive loss attributable to the owners of JV Co of HK\$301 million.

Liquidity and Financial Resources, Gearing Ratio, Treasury Policy

JV Group primarily funded its operation by its own capital and issuance of ordinary shares and Redeemable Preference Shares. As at December 31, 2019, JV Group's cash and amounts due from banks and other financial institutions were approximately HK\$2,263 million. JV Group did not have any external borrowings, hence the gearing ratio was not applicable. The net assets of JV Group were approximately HK\$2,055 million.

Commitment

As at December 31, 2019, JV Group did not have any commitments.

Exchange Exposure

During the year ended December 31, 2019, JV Group operated internationally and is exposed to foreign exchange risk, primarily RMB and Japanese Yen (“JPY”).

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable RMB and JPY revenue and expenditures. The JV Group does not have a foreign currency hedging policy. However, the directors of the JV Co monitor the JV Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

Employee and Remuneration Policy

As at December 31, 2019, JV Group had approximately 533 full-time employees for its principal activities. JV Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided.

Contingent Liabilities

As at December 31, 2019, JV Group did not have any material contingent liabilities.

Significant Investment and Material Acquisition and Disposal

On 4 February 2019, JV Co acquired the remaining 35% of the issued shares of ZhongAn Financial Services Limited for HK\$362,580,827 from an existing non-controlling shareholder. Upon completion, ZhongAn Financial Services Limited became a wholly-owned subsidiary of JV Co.

Saved as disclosed above, JV Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2019.

Charge on Assets

As at December 31, 2019, none of JV Group's assets were pledged.

Capital Structure

As at December 31, 2019, JV Group had total liabilities of approximately HK\$448 million mainly comprising amount due to related parties. JV Group had a total equity of approximately HK\$2,055 million. During the year ended December 31, 2019, JV Co issued 814,105,000 redeemable preference shares of RMB1 each to the Company and a third party for a total consideration of RMB814,105,000 (equivalent to approximately HK\$936,276,000):

- 342,048,000 redeemable preference shares of RMB1 each were issued to a third party for a consideration of RMB342,048,000 (equivalent to approximately HK\$400,000,000) according to a subscription agreement relating to Redeemable Preference Shares dated June 4, 2018 (the "**Subscription Agreement**");
- 378,507,500 redeemable preference shares of RMB1 each were issued to a third party for a consideration of RMB378,507,500 (equivalent to approximately HK\$430,000,000) according to the Subscription Agreement; and
- 93,549,500 redeemable preference shares of RMB1 each were issued to the Company for a consideration of RMB93,549,500 (equivalent to approximately HK\$106,276,000) according to the Joint Venture Agreement. There are no outstanding redeemable preference shares to be issued to the Company.

In October 2019, JV Co redeemed parts of RMB140,000,000 redeemable preference shares from the Group. As of December 31, 2019, 480,000,000 redeemable preference shares of JV Co were held by the Group in cash consideration of RMB480,000,000 (equivalent to HK\$546.7 million).

Future Plans for Material Investment or Capital Assets

As at December 31, 2019, JV Group did not have any plans for material investments and capital assets.

FOR THE YEAR ENDED DECEMBER 31, 2020

BUSINESS OVERVIEW

On March 24, 2020, ZA Bank officially became the first virtual bank in Hong Kong to provide Hong Kong residents with legacy-free banking products and services without time constraints. Unlike the physical operating model of traditional banks, ZA Bank focuses on providing users with banking services 24/7 through the on-stop mobile App. Promoted by the "user participation" concept, ZA Bank encourages users to actively participate in product design and pre-development processes, so as to

create products and services that cater for the needs of users. ZA Bank's featured products and services include: ZA Demand Go, i.e. a deposit product with 1% annual interest rate; loan service with 30-minute commitment; simple and smooth transfer experience; and Visa Card - ZA Card — Hong Kong's first bank card with customized card number.

In May 2020, ZA Life Limited, the joint venture between the JV Co and Fubon Life Insurance (Hong Kong) Company Limited, obtained a digital-only insurer license from the Hong Kong Insurance Authority under its Fast Track pilot scheme. Under the business name of ZA Insure, it has launched a variety of basic life and medical insurance products, ZA Bank is committed to taking care of users' comprehensive financial needs. In January 2022, ZA Bank has become the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the Securities and Futures Commission, and is ready to further upgrade users' investment and wealth management experience.

In October 2020, ZA Bank officially launched Visa Card — ZA Card, which is the first user-customized number card in Hong Kong. With no annual fees, no interest and no late fees, ZA Card cooperated with several well-known partners to create a personalized, smooth and secure payment experience.

As at December 31, 2020, ZA Bank has gained supports from more than 180,000 users. Between June and December 2020, ZA Bank, as Hong Kong's first and only virtual bank that supports Hong Kong Government's Cash Payout Scheme, helped over 80,000 Hong Kong citizens to receive cash through simple and fast digital channels, and allowed more citizens to experience brand-new virtual banking service through the promotional activity "WANT11K Cash Payout Scheme"(唔要一萬我要萬一).

FINANCIAL REVIEW

Revenue and Loss for the Period

For the year ended December 31, 2020, JV Group had revenue and other income of approximately HK\$325 million. The revenue was mainly attributed to income from implementation services, license services and post-implementation support service to customers of approximately HK\$203 million and interest income of HK\$93 million. The total expenses amounted to HK\$901 million. The expenses mainly comprised of human resources expenses amounting to HK\$518 million, legal and professional fee amounting to HK\$45 million, advertising and promotion expenses amounting to HK\$84 million, information technology expenses amounting to HK\$63 million and rent & property management fee amounting to HK\$22 million. JV Group recorded total comprehensive loss attributable to the owners of JV Co of HK\$490 million.

Liquidity and Financial Resources, Gearing Ratio, Treasury Policy

JV Group primarily funded its operation by its own capital and issuance of ordinary shares. As at December 31, 2020, JV Group's cash and amounts due from banks and other financial institutions were approximately HK\$3,021 million. JV Group did not have any external borrowings, hence the gearing ratio was not applicable. The net assets of JV Group were approximately HK\$2,615 million.

Commitment

Saved as disclosed in note 41 of the accountant's report on JV Co, JV Group did not have other material commitments as at December 31, 2020.

Exchange Exposure

During the year ended December 31, 2020, JV Co operated internationally and is exposed to foreign exchange risk, primarily RMB, JPY and Singaporean Dollar ("SGD").

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable RMB, JPY and SGD revenue and expenditures. The JV Group does not have a foreign currency hedging policy. However, the directors of the JV Co monitor the JV Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

Employee and Remuneration Policy

As at December 31, 2020, JV Group had approximately 518 full-time employees for its principal activities. JV Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided.

Contingent Liabilities

As at December 31, 2020, JV Group did not have any material contingent liabilities.

Significant Investment and Material Acquisition and Disposal

JV Co had no significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended December 31, 2020.

Charge on Assets

As at December 31, 2020, none of JV Group's assets were pledged.

Capital Structure

As at December 31, 2020, JV Group had total liabilities of approximately HK\$6,866 million mainly comprising amount due to related parties. JV Group had a total equity of approximately HK\$2,615 million. During the year ended December 31, 2020, JV Group exercised its rights to redeem 480,000,000 redeemable preference shares held by the Group at consideration of RMB511,894,000 (approximately of HK\$542,012,000).

Future Plans for Material Investment or Capital Assets

As at December 31, 2020, JV Group did not have any plans for material investments and capital assets.

FOR THE YEAR ENDED DECEMBER 31, 2021**BUSINESS OVERVIEW**

With its innovative and safe products and services, within just two years of its official opening, ZA Bank has won the trust and support from users, becoming the first virtual bank in Hong Kong. As of December 31, 2021, the number of customers of ZA Bank exceeded 500,000, representing approximately 6% of Hong Kong's population. ZA Bank became the largest virtual bank in Hong Kong in terms of the scale of customers. Meanwhile, the balance of deposits reached HK\$7 billion, and the balance of loans increased by approximately four times year-on-year to approximately HK\$2.5 billion. In addition, ZA Bank is also one of the virtual banks with the most complete local products, providing users with innovative deposit, loan, transfer, consumption, insurance and commercial banking services.

In March 2021, ZA Bank officially entered the commercial banking business to assist small and medium-sized enterprises in different industries in Hong Kong to develop business opportunities. It also participated in the "SME Financing Guarantee Scheme" launched by HKMC Insurance Limited to help small and medium-sized enterprises calmly cope with the operational challenges brought by the epidemic. In May 2021, ZA Bank took advantage of the dual licenses of JV Co to work with ZA Life Limited, a digital-only insurer under ZhongAn International, to create a brand-new insurance experience for users through the ZA Bank App.

In October 2021, JV Co received a capital injection of approximately US\$232 million from investors including AIA Group's subsidiary Opportunities Fund and Warrior, becoming a local FinTech unicorn in Hong Kong with huge potential in future development.

FINANCIAL REVIEW***Revenue and Loss for the Period***

For the year ended December 31, 2021, JV Group had revenue and other income of approximately HK\$687 million. The revenue was mainly attributed to income from implementation services, license services and post-implementation support service to customers of approximately HK\$304 million, interest income of HK\$171 million, insurance premium revenue of HK\$127 million and fee and commission income from banking operations of HK\$88 million. The total expenses amounted to HK\$1,519 million. The expenses mainly comprised of human resources expenses amounting to HK\$769 million, legal and professional fee amounting to HK\$47 million, advertising and promotion expenses amounting to HK\$212 million, information technology expenses amounting to HK\$66 million and rent & property management fee amounting to HK\$33 million. JV Group recorded total comprehensive loss attributable to the owners of JV Co of HK\$797 million.

Liquidity and Financial Resources, Gearing Ratio, Treasury Policy

JV Group primarily funded its operation by its own capital and issuance of ordinary shares and Redeemable Preference Shares. As at December 31, 2021, JV Co's cash and amounts due from banks and other financial institutions were approximately HK\$3,104 million. JV Group did not have any external borrowings, hence the gearing ratio was not applicable. The net assets of JV Group were approximately HK\$3,535 million.

Commitment

Saved as disclosed in note 41 of the accountant's report on JV Co, JV Group did not have other material commitments as at December 31, 2021.

Exchange Exposure

During the year ended December 31, 2021, JV Group operated internationally and is exposed to foreign exchange risk, primarily RMB and Euro ("EUR").

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable RMB and EUR revenue and expenditures. The JV Group does not have a foreign currency hedging policy. However, the directors of the JV Co monitor the JV Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

Employee and Remuneration Policy

As at December 31, 2021, JV Group had approximately 1,038 full-time employees for its principal activities. JV Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided.

Contingent Liabilities

As at December 31, 2021, JV Group did not have any material contingent liabilities.

Significant Investment and Material Acquisition and Disposal

JV Co had no significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended December 31, 2021.

Charge on Assets

As at December 31, 2021, none of JV Group's assets were pledged.

Capital Structure

As at December 31, 2021, JV Group had total liabilities of approximately HK\$8,613 million mainly comprising amount due to related parties. JV Group had a total equity of approximately HK\$3,535 million. During the year ended December 31, 2021, the Group has invested RMB500,000,000 (equivalent to HK\$600,197,000) in consideration for 500,000,000 redeemable preference shares of the JV Co, and the JV Co has the right to redeem from the Group all or any portion of the redeemable preference shares within 5 years from the date of issuance. As of December 31, 2021, 500,000,000 redeemable preference shares of JV Co were held by the Group in cash consideration of RMB500,000,000 (equivalent to HK\$600.2 million).

Future Plans for Material Investment or Capital Assets

As at December 31, 2021, JV Group did not have any plans for material investments and capital assets.

FOR THE SIX MONTHS ENDED JUNE 30, 2022**BUSINESS REVIEW**

As a rapidly growing new bank, ZA Bank is committed to taking care of users' comprehensive financial needs. In January 2022, ZA Bank has become the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the Securities and Futures Commission, and is ready to further upgrade users' investment and wealth management experience.

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

The management believes, based on JV Co's experiences gained from the Insurtech market in China, it 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.

FINANCIAL REVIEW***Revenue and Loss for the Period***

For the period ended June 30, 2022, JV Group had revenue and other income of approximately HK\$990 million. The revenue was mainly attributed to income from implementation services, license services and post-implementation support service to customers of approximately HK\$153 million, interest income of HK\$132 million, insurance premium revenue of HK\$306 million, fee and commission income from banking operations of HK\$70 million and net investment gain of HK\$244 million. The total expenses amounted to HK\$1,125 million. The expenses mainly comprised of human resources expenses amounting to HK\$454 million, legal and professional fee amounting to HK\$22 million, advertising and promotion expenses amounting to HK\$130 million, information technology expenses amounting to HK\$55 million and rent & property management fee amounting to HK\$14 million. JV Group recorded total comprehensive loss attributable to the owners of JV Co of HK\$459 million.

Liquidity and Financial Resources, Gearing Ratio, Treasury Policy

JV Group primarily funded its operation by its own capital and issuance of ordinary shares. As at June 30, 2022, JV Group's cash and amounts due from banks and other financial institutions were approximately HK\$1,776 million. JV Group did not have any external borrowings, hence the gearing ratio was not applicable. The net assets of JV Group were approximately HK\$2,775 million.

Commitment

Saved as disclosed in note 41 of the accountant's report on JV Co, JV Group did not have other material commitments as at June 30, 2022.

Exchange Exposure

During the period ended June 30, 2022, JV Co operated internationally and is exposed to foreign exchange risk, primarily RMB, JPY and EUR.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable RMB, JPY and EUR revenue and expenditures. The JV Group does not have a foreign currency hedging policy. However, the directors of the JV Co monitor the JV Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

Employee and Remuneration Policy

As at June 30, 2022, JV Group had approximately 1,292 full-time employees for its principal activities. JV Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided.

Contingent Liabilities

As at June 30, 2022, JV Group did not have any material contingent liabilities.

Significant Investment and Material Acquisition and Disposal

On 26 January 2022, ZA Tech Global Limited entered into a share purchase agreement with Softbank Corp., to sell 400 ordinary shares of ZA Tech Japan Inc., representing 100% of the issued and outstanding shares of ZA Tech Japan Inc. to Softbank Corp. with a total consideration of JPY1,731,370,000 (equivalent to approximately HK\$116,867,000). The transaction was completed on 1 February 2022.

On 28 January 2022, ZA Tech Global (Cayman) Limited entered into the Swap-Up Agreement with Grab Holdings Limited (“**Grab**”), a company listed on Nasdaq, to transfer 3,400,000 ordinary shares of A3 Holdings Limited to Grab, representing 40% of the issued and outstanding shares of A3 Holdings, in exchange for the issuance and allotment to ZA Tech Global (Cayman) of 8,800,000 Class A ordinary shares in the capital of Grab. As at 28 January 2022, the stock price of Grab was USD5.51 per share, representing a total consideration of USD48,488,000.

On 9 May 2022, ZA Tech Global Limited entered into the Swap-Up Agreement with Grab to transfer 120 ordinary shares of PT Visionet Internasional Proteksi to Grab, representing 40% of the issued and outstanding shares of PT Visionet Internasional Proteksi, in exchange for the issuance and allotment of ZA Tech Global (Cayman) Limited of 1,290,032 Class A ordinary shares in the capital of Grab. As at 9 May 2022, the stock price of Grab was USD2.80 per share, representing a total consideration of USD3,612,000.

Saved as disclosed above, JV Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2022.

Charge on Assets

As at June 30, 2022, none of JV Group’s assets were pledged.

Capital Structure

As at June 30, 2022, JV Group had total liabilities of approximately HK\$10,145 million mainly comprising amount due to related parties. JV Group had a total equity of approximately HK\$2,775 million. During the six months ended June 30, 2022, JV Group exercised its rights to redeem 250,000,000 redeemable preference shares held by the Group at consideration of RMB250,000,000 (approximately of HK\$305,623,000).

Future Plans for Material Investment or Capital Assets

As at June 30, 2022, JV Group did not have any plans for material investments and capital assets.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON
COMPLETION OF THE ADDITIONAL SINOLINK SUBSCRIPTION**

The following unaudited pro forma consolidated statement of assets and liabilities of the Group (the “Unaudited Pro Forma Financial Information”) has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the assets and liabilities of the Group as if the Additional Sinolink Subscription had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information as at 30 June 2022 has been prepared based on (i) the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2022, as set out in its published interim report for the six months ended 30 June 2022; and (ii) the pro forma adjustments prepared to reflect the effects of Additional Sinolink Subscription as explained in the notes set out below that are directly attributable to the Additional Sinolink Subscription and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Additional Sinolink Subscription been completed as at 30 June 2022 or any future date.

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS
AT 30 JUNE 2022 UPON COMPLETION OF THE ADDITIONAL SINOLINK SUBSCRIPTION**

	The Group as at 30 June 2022 HK\$'000 Note 1	Pro forma adjustments for the Additional Sinolink Subscription HK\$'000 Note 2		HK\$'000 Note 3	The Group upon completion of the Additional Sinolink Subscription HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	247,709	—	—	—	247,709
Investment properties	2,700,000	—	—	—	2,700,000
Interests in associates	1,213,322	806,490	3,800	—	2,023,612
Amounts due from associates at FVTPL	—	—	—	—	—
Loan receivables from associates at FVTPL	—	—	—	—	—
Loan receivables	293,527	—	—	—	293,527
Equity instruments at FVTOCI	2,241,517	—	—	—	2,241,517
Other financial assets at FVTPL	684,495	—	—	—	684,495
Deposits, other receivables and other non-current assets	208,907	—	—	—	208,907
Finance lease receivables	—	—	—	—	—
Deferred tax assets	3,326	—	—	—	3,326
Pledged bank deposits	982,416	—	—	—	982,416
Bank deposits	710,526	—	—	—	710,526
	<u>9,285,745</u>	<u>806,490</u>	<u>3,800</u>	<u>—</u>	<u>10,096,035</u>
Current assets					
Stock of properties	911,246	—	—	—	911,246
Trade and other receivables, deposits and prepayments	32,802	—	—	—	32,802
Loan receivables	290,812	—	—	—	290,812
Finance lease receivables	1	—	—	—	1
Other financial assets at FVTPL	21,283	—	—	—	21,283
Bank deposits	128,655	—	—	—	128,655
Structured deposits	66,082	—	—	—	66,082
Cash and cash equivalents	1,290,818	(806,490)	(3,800)	—	480,528
	<u>2,741,699</u>	<u>(806,490)</u>	<u>(3,800)</u>	<u>—</u>	<u>1,931,409</u>

	The Group as at 30 June 2022	Pro forma adjustments for the Additional Sinolink Subscription		The Group upon completion of the Additional Sinolink Subscription
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
LIABILITIES				
Current liabilities				
Trade payables, deposits received and accrued charges	429,566	—	—	429,566
Contract liabilities	10,504	—	—	10,504
Income tax payable	772,341	—	—	772,341
Borrowings	1,055,000	—	—	1,055,000
Lease liabilities	2,012	—	—	2,012
	<u>2,269,423</u>	<u>—</u>	<u>—</u>	<u>2,269,423</u>
Net current assets/(liabilities)	<u>472,276</u>	<u>(806,490)</u>	<u>(3,800)</u>	<u>(338,014)</u>
Total assets less current liabilities	<u>9,758,021</u>	<u>—</u>	<u>—</u>	<u>9,758,021</u>
Non-current liabilities				
Lease liabilities	8,208	—	—	8,208
Deferred tax liabilities	947,888	—	—	947,888
Total liabilities	<u>956,096</u>	<u>—</u>	<u>—</u>	<u>956,096</u>
Net assets	<u>8,801,925</u>	<u>—</u>	<u>—</u>	<u>8,801,925</u>

Notes:

- The amounts are derived from the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in its published interim report for the six months ended 30 June 2022.
- The adjustment represents the addition to interests in associates of US\$102,999,999.96 (equivalent to approximately HK\$806,490,000 using the exchange rate of US\$:HK\$ 7.83 as at 30 June 2022) with an equal amount on the cash payment assuming the subscription of 156,060,606 JV Co Ordinary Shares was completed on 30 June 2022. No representation is made that the US\$ amounts have been, could have been or may be converted to HK\$, or vice versa, at that rate or any other rates at all.
- The adjustment represents the estimated professional fees of approximately HK\$3,800,000, relating to the Additional Sinolink Subscription. The amounts included the legal fees, printing costs, reporting accountant's fees and other directly attributable costs for the Additional Sinolink Subscription to be borne by the Group.
- No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2022.

**(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UPON COMPLETION OF THE ADDITIONAL SINOLINK SUBSCRIPTION**

The following is the text of a report on the unaudited pro forma financial information of the Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Sinolink Worldwide Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-3 of the Company's circular dated 29 December 2022, in connection with the additional capital contribution to ZhongAn Technologies International Group Limited (the "Transaction") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-3 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2022 as if the Transaction had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim condensed consolidated financial information for the period ended 30 June 2022, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong,

29 December 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions, if any, 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO; or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

Directors’ long positions in the Shares and underlying Shares

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 as at the Latest Practicable Date
		Personal Interest	Corporate Interest	Family Interest				
Chen Wei	Beneficial owner	13,500,000	—	—	13,500,000	3,468,000	16,968,000	0.266%
Ou Yaping	Joint interest and interest of controlled corporation	—	3,272,309,301 (Note)	13,113,738	3,285,423,039	—	3,285,423,039	51.540%
Tang Yui Man Francis	Beneficial owner	21,375,000	—	—	21,375,000	40,460,000	61,835,000	0.970%
Tian Jin	Beneficial owner	—	—	—	—	2,312,000	2,312,000	0.036%
Xiang Bing	Beneficial owner	—	—	—	—	2,312,000	2,312,000	0.036%
Xiang Ya Bo	Beneficial owner	—	—	—	—	40,460,000	40,460,000	0.635%
Xin Luo Lin	Beneficial owner	—	—	—	—	2,312,000	2,312,000	0.036%

Note: These 3,272,309,301 Shares 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. Accordingly, Mr. Ou is deemed to be interested in the Shares held by Asia Pacific under the SFO.

Directors' interest in options to subscribe for Shares

Name of Directors	Date of grant	Exercise period	Exercise price (HK\$)	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the issued Shares as at the Latest Practicable Date
Chen Wei	15.05.2015	15.11.2015-14.05.2025	1.185	1,734,000	0.027%
		15.05.2016-14.05.2025	1.185	1,734,000	0.027%
Tang Yui Man Francis	15.05.2015	15.11.2015-14.05.2025	1.185	20,230,000	0.317%
		15.05.2016-14.05.2025	1.185	20,230,000	0.317%
Tian Jin	15.05.2015	15.11.2015-14.05.2025	1.185	1,156,000	0.018%
		15.05.2016-14.05.2025	1.185	1,156,000	0.018%
Xiang Bing	15.05.2015	15.11.2015-14.05.2025	1.185	1,156,000	0.018%
		15.05.2016-14.05.2025	1.185	1,156,000	0.018%
Xiang Ya Bo	15.05.2015	15.11.2015-14.05.2025	1.185	20,230,000	0.317%
		15.05.2016-14.05.2025	1.185	20,230,000	0.317%
Xin Luo Lin	15.05.2015	15.11.2015-14.05.2025	1.185	1,156,000	0.018%
		15.05.2016-14.05.2025	1.185	1,156,000	0.018%

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares or underlying Shares

Name of Shareholder	Capacity/ Nature of interest	Interest in Shares	Interest in derivatives	Total interests	Approximate percentage of the issued Shares as at the Latest Practicable Date
Asia Pacific (<i>Note</i>)	Beneficial owner/ Beneficial interest	3,272,309,301	—	3,272,309,301	51.34%

Note: The 3,272,309,301 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, a non-executive Director of the Company. Accordingly, Mr. Ou is deemed to be interested in Shares held by Asia Pacific under the SFO. His interests are disclosed in the subsection headed “Directors’ long positions in the Shares and underlying Shares” above.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2021 (being the date to which the latest published audited accounts of the Group were made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group within two years immediately preceding the date of this circular, which are or may be material:

- (a) the subscription agreement dated April 29, 2021 entered into among the Company, ZhongAn Technology and JV Co in respect of, inter alia, the subscription of 500,000,000 JV Co redeemable preference shares for a total subscription price of RMB500,000,000 pursuant to the terms and conditions therein;
- (b) the entrusted loan agreement dated August 17, 2021 entered into among Zhonglian Finance Leasing (Shanghai) Co., Ltd.* (眾聯融資租賃(上海)有限公司) a wholly-owned subsidiary of the Company (“**Zhonglian Finance**”), Shanghai Weixun Network Technology Co., Ltd.* (上海威尋網路技術有限公司) (“**Shanghai Weixun**”), and Shanghai branch of China Merchants Bank Co., Ltd (the “**Entrustee**”), pursuant to which Zhonglian Finance agreed to lend and Shanghai Weixun agreed to borrow an entrusted loan in the principal amount of RMB 130,000,000 (equivalent to approximately HK\$156,627,000) with a maturity date of August 18, 2022 (the “**Entrusted Loan**”);
- (c) the share purchase agreement dated October 27, 2021 entered into between the JV Co and the Company, ZhongAn Technology, Warrior and the Opportunities Fund in respect of, inter alia, the Previous Sinolink Subscription pursuant to the terms and conditions therein;
- (d) the capital increase agreement dated October 27, 2021 entered into between Sinolink Worldwide (HK) Company Limited (“**Sinolink HK**”), an indirect wholly-owned subsidiary of the Company, Chongqing ZhongAn Loan Co., Ltd. (重慶眾安小額貸款有限公司) (“**Chongqing JV**”), and the other shareholders of Chongqing JV (namely, China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司) and ZhongAn Technology), in respect of the increase in registered capital of Chongqing JV from RMB510 million to RMB1.02 billion and the contribution by Sinolink HK in the amount of RMB90 million in cash in proportion to its shareholding in Chongqing JV pursuant to the terms and conditions set out therein;
- (e) the supplemental entrusted loan agreement dated August 18, 2022 entered into among Zhonglian Finance, Shanghai Weixun and the Entrustee, pursuant to which the parties agreed to extend the maturity date of Entrusted Loan to August 18, 2023;

- (f) the Share Purchase Agreement; and
- (g) the Shareholders Agreement.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, as far as the Directors were aware, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is 28th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.
- (b) The company secretary of the Company is Mr. Lo Tai On, who is a member of the Hong Kong Institute of Certified Public Accountant.
- (c) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and the Hong Kong branch share transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The English text of this circular shall prevail over this respective Chinese text in the case of inconsistency.

10. DOCUMENTS ON DISPLAY

A copy of each of the following documents is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinolinkhk.com) for 14 days from the date of this circular:

- the Share Purchase Agreement; and
- the Shareholders Agreement.