豐盛
FULLSHARE

Fullshare Holdings Limited
豐盛控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00607

Annual Report 2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen

Independent Non-executive Directors
Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point, Hong Kong

COMPANY SECRETARY

Ms. Seto Ying

AUTHORISED REPRESENTATIVES

Mr. Shen Chen
Ms. Seto Ying

AUDIT COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

REMUNERATION COMMITTEE

Mr. Lau Chi Keung *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

NOMINATION COMMITTEE

Mr. Ji Changqun *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

RISK MANAGEMENT COMMITTEE

Mr. Shen Chen *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Du Wei *(Chairman)*
Mr. Shen Chen
Mr. Tsang Sai Chung

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Jiangsu Co., Ltd
Nanjing Bank Co., Ltd
Bank of China Travel Service Co., Ltd Jiaozuo
China Merchants Bank Co., Ltd.

LEGAL ADVISER

LC Lawyers LLP

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2805, Level 28
Admiralty Centre Tower 1
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.fullshare.com

STOCK CODE

00607

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ji Changqun ("Mr. Ji"), aged 52, was appointed as an executive director of Fullshare Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), chief executive officer and the chairman of the board (the "**Board**") of directors (the "**Director(s)**") of the Company on 12 December 2013. He is the chairman of nomination committee of the Company (the "**Nomination Committee**"). Mr. Ji is the sole director of Magnolia Wealth International Limited, the holding company and a substantial shareholder of the Company. Mr. Ji is responsible for the Group's strategic control, operation management, organization development and investment and financing management. Mr. Ji has over 12 years of management experience in the real estate industry in the People's Republic of China ("**PRC**"). He was a director of certain subsidiaries of the Company. Mr. Ji studied the courses for postgraduates majoring in management science and engineering in Southeast University from September 2003 to September 2005. Mr. Ji obtained a master's degree majoring in business administration issued by Macau University of Science and Technology in June 2006. Mr. Ji is a PRC senior engineer and senior economist. Mr. Ji holds a lot of social positions, including the honorary chairman of Australia Nanjing General Chamber of Commerce （澳大利亞南京總商會）, the chairman of Anhui Chamber of Commerce of Jiangsu Province（江蘇省安徽商會）, the honorary chairman of the board of Nanjing University of Chinese Medicine, the dean of Fullshare Health College（豐盛健康學院）of Nanjing University of Chinese Medicine, the honorary chairman of Singapore Chinese Medicine College, etc.

Ms. Du Wei ("Ms. Du"), aged 40, was appointed as an executive Director on 7 July 2018. She is the chairman of environmental, social and governance committee (the "**ESG Committee**") and a member of remuneration committee (the "**Remuneration Committee**") and risk management committee (the "**Risk Management Committee**") of the Company. Ms. Du is responsible for assisting the chief executive officer of the Company with the functional management and strategic planning relating to human resources of the Group and hosting general meetings and board meetings of the Company. Ms. Du obtained a Bachelor of Tourism Management degree and a Master of Business Administration degree from Nanjing Normal University, China, in 2002 and 2014, respectively. Ms. Du has more than 18 years' experience in human resources and administration management. From 2008 to 2012, Ms. Du worked in certain subsidiaries of Fullshare Group Limited as human resources and administration manager. From 2012 to August 2016, Ms. Du worked as the officer of chairman's office and human resources director of Fullshare Group Limited. Since 1 September 2016, she has been and is currently an officer of the human resources management committee of the Company. Since 1 April 2018, Ms. Du has been appointed as the general manager of Fullshare Holdings (Singapore) Service Management Pte Ltd, a wholly-owned subsidiary of the Company. Ms. Du is also a director of certain subsidiaries of the Company.

Biographical Details of Directors and Senior Management

Mr. Shen Chen ("Mr. Shen"), aged 49, was appointed as an executive Director on 23 October 2019. He is the chairman of the Risk Management Committee and a member of the ESG Committee. He joined the Group in November 2018 and was appointed as the financial controller of the Company in June 2019. Mr. Shen is responsible for the financial reporting and financial management of the Group and participates in investment decisions. He obtained a diploma in accounting from Nanjing Economic College (currently known as Nanjing University of Finance and Economics) in 1994 and obtained a bachelor degree in economic management from Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院) in 2000. Mr. Shen has professional qualification of senior accountant. He was the financial controller of Nanjing JoyMain Science and Technology Development Co., Ltd.* (南京中脈科技發展有限公司) from August 1994 to July 2011. He was the vice president of Jiangsu Ruiheng Asset Management Co., Ltd.* (江蘇瑞恒資產管理有限公司) from July 2011 to April 2012. He was the financial controller of Nanjing Jiangong Industrial Group Co., Ltd.* (南京建工產業集團有限公司) ("**Nanjing Jiangong Industrial**") and Fullshare Technology Group Limited* (豐盛科技集團有限公司) from April 2012 to May 2013. He was the financial controller of Fullshare Green Building Group Company Limited* (豐盛綠建集團有限公司) and Nanjing Fullshare Energy Science & Technology Company Limited* (南京豐盛新能源科技股份有限公司) from May 2013 to November 2018. Mr. Shen was a director of a wholly-owned subsidiary of the Company.

Independent Non-executive Directors

Mr. Lau Chi Keung ("Mr. Lau"), aged 72, was appointed as an independent non-executive Director on 12 December 2013. He is the chairman of Remuneration Committee and a member of Nomination Committee and audit committee of the Company (the "**Audit Committee**"). Mr. Lau has over 46 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was admitted fellow member of each of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors respectively in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Since September 2016, Mr. Lau has been appointed as an independent non-executive director of Applied Development Holdings Limited ("**ADHL**") (stock code: 519), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner of the University of Hong Kong – B.Sc. (Hons) Degree in Surveying from 1998 to 2001 and the Hong Kong Polytechnic University – B.Sc. (Hons) programme in Building Surveying from 2005 to 2007 respectively. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005.

Biographical Details of Directors and Senior Management

Mr. Chow Siu Lui ("Mr. Chow"), aged 60, was appointed as an independent non-executive Director on 12 December 2013. He is the chairman of Audit Committee. Mr. Chow has a wealth of experience in fund raising and initial public offering ("**IPO**") activities in Hong Kong and accounting & financial areas. Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for providing advice in pre-IPO group structuring and fund raising in local and overseas stock exchanges. He is currently a partner of VMS Investment Group (HK) Limited, who is a core member of the investment committee and responsible for private equities investment, including due diligence of all investment projects. Mr. Chow was a previous chairman of the investment strategy task force of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. Chow is now an independent non-executive director of Genertec Universal Medical Group Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 2666)), China Everbright Greentech Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1257)), Futong Technology Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 465)), Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1635)), China Tobacco International (HK) Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6055)), and Global Cord Blood Corporation (whose shares are listed on the New York Stock Exchange (NYSE stock code: CO)) and a non-executive director of Renrui Human Resources Technology Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6919)), respectively. He acted as an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6833)) from September 2015 to November 2018. Mr. Chow was awarded a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1983. By profession, he became a fellow of the Association of Chartered Certified Accountants ("**ACCA**") in July 1991, The Chartered Governance Institute ("**CGI**") and HKICS both in October 2009, and the HKICPA in December 1993.

Mr. Tsang Sai Chung ("Mr. Tsang"), aged 57, was appointed as an independent non-executive Director on 12 December 2013. He is a member of Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and ESG Committee. Mr. Tsang obtained a bachelor's degree of arts from the University of Hong Kong and then later on completed the Postgraduate Certificate in Laws programme there. Mr. Tsang undertook his trainee programme and worked as an associate of Baker & McKenzie. He then moved to in house with various companies and worked as an executive director, general counsel and company secretary of HKC (Holdings) Limited (stock code: 190). Mr. Tsang was the general counsel and company secretary of Sa Sa International Holdings Limited (stock code: 178) and Pacific Century Premium Developments Limited (stock code: 432) respectively. HKC (Holdings) Limited, Sa Sa International Holdings Limited and Pacific Century Premium Developments Limited are companies listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Shi Zhiqiang ("Mr. Shi"), aged 45, is the vice president of the Company. Mr. Shi is responsible for assisting the chief executive officer of the Company with the special investment of the Group and other designated projects. Mr. Shi obtained a diploma majoring in financial accounting issued by the Township Enterprise Management Institution organised by the Department of Agriculture of the PRC, and completed the executive administration programme organised by Southeast University in 2015. Mr. Shi is a PRC accountant and an international certified internal auditor. Mr. Shi worked as the financial controller of Jiangsu Zhongda Communication Industry Co., Limited* (江蘇中大通信實業有限公司) from December 2004 to July 2005. Mr. Shi worked as the deputy manager of financial management department, audit manager, audit director and chief financial officer of Nanjing Jiangong Industrial from July 2005 to March 2011. Mr. Shi worked as a director of Nanjing Jiangong Industrial from June 2011 to April 2013 and the assistant to the chairman of Nanjing Jiangong Industrial from March 2011 to January 2013. Mr. Shi is also a director of a subsidiary of the Company. Mr. Shi was an executive Director of the Company from November 2013 to July 2018.

Mr. Wang Bo ("Mr. Wang"), aged 40, is the vice president of the Company. Mr. Wang is responsible for investment, operation and management of education segment of the Group, and other designated projects. Mr. Wang obtained a bachelor of laws degree from Nanjing Economic College (currently known as Nanjing University of Finance and Economics) in 2001, a master of laws degree from Nanjing University in 2004 and a Juris Doctor degree from Duke University, the United States of America ("**USA**") in 2007. He also obtained Legal Profession Qualification of PRC in 2002. Mr. Wang worked as an associate and a senior associate of King & Wood Mallesons from 2007 to 2010 and a manager of Legal Department of DBS Bank (China) Limited Shanghai Branch from 2010 to 2011. From March 2011 to September 2014, Mr. Wang worked as the general manager of Fullshare Group Limited and the director and the managing director of Fullshare International Group Limited. Since March 2011, Mr. Wang has been and is currently a director of Fullshare Group Limited. Mr. Wang is also a director of certain subsidiaries of the Company. Mr. Wang was an executive Director of the Company from September 2014 to October 2019. Mr. Wang was the chairman of the board and a non-executive director of ADHL (stock code: 519), a company listed on the Main Board of the Stock Exchange, during the period from September 2016 to December 2017.

Mr. Wang was the sole shareholder, the director and the legal representative of Nanjing Mei Xun Industrial and Trade Co., Ltd.* (南京美迅工貿實業有限公司) ("**Nanjing Mei Xun**"), a company which was established in Nanjing in June 2004 and remained dormant then. The business licence of Nanjing Mei Xun was revoked by Nanjing Administration for Industry and Commerce due to its failure to participate in the annual inspection carried out by Xuanwu Branch of Nanjing Administration for Industry and Commerce for the year of 2010 within the prescribed time. To the best knowledge and belief of Mr. Wang, the local staff of Nanjing Mei Xun was responsible for handling daily operation including the annual inspection of Nanjing Mei Xun. Mr. Wang was not aware of any such information that the annual inspection had not been done by the local staff. To the best knowledge of Mr. Wang, Nanjing Mei Xun had not received any fine or penalty as a result of such revocation of business licence.

Biographical Details of Directors and Senior Management

Mr. Lu Jian ("Mr. Lu"), aged 52, joined the Company since July 2017 and is the vice president of the Company. He is responsible for assisting the chief executive officer of the Company with the property management, commercial operation and management of the overseas properties, the development of the domestic real estate projects and other designated projects of the Group. Mr. Lu has over 27 years of extensive experience in property industry. From 1992 to 1994, Mr. Lu worked as an engineer in Magang (Group) Holding Co., Ltd.* (馬鋼(集團)控股有限公司). Mr. Lu worked as the senior manager of Shanghai Lee Tat Property Agency Company Limited* (利達行(上海)房地產代理有限公司) from 1994 to 1996. Mr. Lu was the general manager of Shanghai Lanbao Property Company Limited* (上海蘭豹置業有限公司) from 1996 to 1998. Mr. Lu was a director of DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. from 1998 to 2009. He was a vice president of Yurun Holding Group Co., Ltd.* (雨潤控股集團有限公司) from 2009 to 2015. Subsequently, he was the president of SHKP Group Co,. Ltd.* (新地集團有限公司) from 2015 to 2017. He studied in Shanghai Jiaotong University from 1988 to 1992 and obtained a bachelor's degree in precision instrument. He also studied in Shanghai University of Finance and Economics from 1996 to 1998 and obtained a master's degree in economics, majoring in investment economics. Mr. Lu is also a director of certain subsidiaries of the Company.

Mr. Zhou Fei ("Mr. Zhou"), aged 39, joined the Company since August 2016 and is the assistant to chief executive officer and chief risk officer of the Company. Mr. Zhou is responsible for the listing compliance, risk management and legal compliance of the Company. He obtained a bachelor of laws degree from School of Law, Southeast University in 2003 and a master of laws degree from School of Law, University of Connecticut, the USA in 2006. He obtained Legal Profession Qualification of PRC in 2004 and is also a qualified lawyer in the State of New York of the USA. Mr. Zhou has over 10 years of experience practicing as a lawyer and has extensive experience in corporate law, China-related public and private mergers and acquisitions and capital market transactions. He worked as an associate of the capital markets group in the Shanghai office of Baker & McKenzie from 2007 to 2016.

Ms. Seto Ying ("Ms. Seto"), aged 44, was appointed as the company secretary of the Company on 12 December 2013. Ms. Seto resigned as an executive Director of the Company on 12 December 2013. Ms. Seto is responsible for the information disclosure management, investor relations and company secretarial matters of the Group. Ms. Seto obtained a bachelor's degree majoring in business administration in accountancy issued by the Chinese University of Hong Kong in 1998. Ms. Seto is a fellow member of the ACCA, a member of the HKICPA and a member of the HKICS and the CGI. Ms. Seto has more than 20 years of experience in the field of finance and company secretarial matters including working in an international accounting firm. Ms. Seto is a director of certain subsidiaries of the Company.

* *For identification purpose only*

Chairman's Statement

Dear Shareholders:

In 2020, the COVID-19 epidemic brought great challenges to the whole world. Fullshare Holdings Limited fended off risks by various means. It focused resources on fully ensuring the stable development of new energy-fueled high-end manufacturing, tourism, healthcare, green real estate and consolidated investment, and explored new development opportunities amid the dual impact of the complex trade environment and the epidemic. Therefore, the Company is more confident in better development in the post-epidemic era.

As of 31 December 2020, the Company achieved a total asset of RMB43,564 million with a gearing ratio of 16.57%, and a total annual revenue of RMB16,171 million, representing an increase of 44.9% over the previous year.

After the outbreak of the epidemic in early 2020, by utilizing the global resource network, Fullshare Holdings Limited allocated the anti-epidemic supplies in urgent need, including medical protective clothing and isolation clothing, completed the process of goods searching, ordering and customs clearance in the shortest time, and realized the delivery of materials, thus providing support to China's front-line anti-epidemic personnel. Its Yuhua Salon (雨花客廳) and Wonder City (虹悅城) and other commercial projects adhered to the business cooperation concept of "Creating together with Sharing", and implemented the rent reduction or exemption policy for commercial tenants and operators, helping them tide over the difficulties. As an enterprise focusing on the field of healthy lifestyle, Fullshare Holdings Limited has been highly recognized by all sectors of the society for its anti-epidemic actions and its capabilities in allocating and integrating resources globally.

The Nanjing production base of China High Speed Transmission Equipment Group Co., Ltd. (00658. HK), a subsidiary of the Company, has achieved full resumption of work and production since 10 February 2020, benefiting from epidemic prevention and control by the local government. By promoting the collaboration and cooperation among enterprises in the upstream and downstream industrial chain, the Group accelerated the process of localizing the imported parts and components, as well as the continuous development of new customers in the international markets in Europe and Asia. In 2020, the Group achieved dramatical growth against the trend in terms of sales in the domestic market, European and Asian markets, with a revenue up by more than RMB5,499 million year over year. In terms of new businesses, the Group's rail transportation, industrial equipment and other businesses have tapped deeply into markets in the countries alongside "the Belt and Road", as well as America, Europe, etc. Domestically, the Group has also seen rising market share, benefiting from the domestic urban infrastructure construction and industrial manufacturing upgrading. In terms of intelligent network transformation, the construction of the Group's "Smart Factory" will promote our transformation from traditional manufacturing to intelligent manufacturing as well as digital factories and services.

The COVID-19 epidemic in 2020 has brought unprecedented impacts and challenges to hotel, commerce and other consumer industries. While doing its best to prevent and control the epidemic, the Company has actively boosted the confidence of merchants and consumers in various ways according to the policy guidance of resuming work and production. The customer flow of our Yuhua Salon (雨花客廳) and Wonder City (虹悅城) and other commercial projects showed a deep "U" trend, with an annual operating revenue of RMB212 million.

Chairman's Statement

The Company believes that due to the impact of the epidemic, enterprises in the industrial chain have a stronger demand for cooperation with the Company's ecological platforms in healthcare tourism industrial chain of "Investment + Finance + Supply chain + Platform + Destination + Product + Operation". The Company will, according to the strategic deployment, look for a more appropriate time to launch the business of the health care tourism sector. The Company will strengthen the content and brand upgrading of its own businesses, hotels and tourism destinations, and introduce more experience elements about entertainment, technology, culture and health, so as to realize consumption iteration of the industry, and meet the new consumption needs of more consumers. It will also pay close attention to the changes and influences overseas, and actively adjust business strategies to ensure the stable development of overseas businesses, hotels, tourism and other projects.

In 2021, the Company will keep a close eye on and study the policy opportunities in the fields of home-raised substitutes, industrial upgrading, urban renewal, green low-carbon environmental protection and rural revitalization brought by China's major development strategies, such as the 14th Five-Year Plan, carbon neutral industry field, China's economic internal circulation, Jiangsu-Anhui coordinated development strategy, Yangtze River Delta economic integration and Nanjing metropolitan area. Focusing on its own industrial layout, the Company will seek investment and cooperation opportunities in such fields as intelligent manufacturing, industrial towns, urban transformation, green energy, environmental protection, health care, new culture and new consumption, so as to drive the growth and coordinated development of its own green energy, high-end manufacturing, health education, green real estate, industrial investment and other businesses.

In 2021, the Company will adhere to doing the right things and doing things right, and strive to become a corporate citizen growing in a healthy, sustainable and steady way. The Company will create more opportunities for the shareholders to provide more suggestions regarding the management and operation of the Company, to jointly promote the sustainable development of the Company.

Ji Changqun
Chairman of the Board

Hong Kong, 31 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

The revenue of Fullshare Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**Year 2020**"), was derived from property, tourism, investment and financial services, healthcare, education and others and new energy businesses.

(1) Property business

(a) Property sales

During the Year 2020, the Group had contracted sales of approximately Renminbi ("**RMB**") 22,030,000, representing a decrease of approximately 94% as compared with the year ended 31 December 2019 (the "**Year 2019**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 1,166 sq.m., representing a decrease of approximately 95% as compared with the Year 2019. The contracted sales in the Year 2020 were mainly contributed by Yuhua Salon Project. As at 31 December 2020, the Group has delivered the properties for all signed sales contracts, while as at 31 December 2019, the Group's contracted sales for the contracts signed but properties not yet delivered were approximately RMB19,608,000 with a total GFA of 1,448 sq.m.. The decrease in contracted sales and GFA was mainly due to most of the projects have been completed and disposed of in previous years. During the Year 2020, the average contracted selling price was approximately RMB18,887 per sq.m., representing an increase of approximately 13% as compared with the Year 2019.

As at 31 December 2020, a breakdown of the major properties held by the Group in the People's Republic of China (the "**PRC**") and their construction status was as follows:

Project name	Address	Project type	Construction progress of the project	Expected completion date	Site area *(sq.m.)*	GFA completed *(sq.m.)*	GFA under construction *(sq.m.)*	Accumulated contracted sales GFA *(sq.m.)*	Interest attributable to the Group
Yuhua Salon (雨花客廳) A1	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and commercial project	Completed	Completed	33,606	79,287	–	60,300	100%
Yuhua Salon (雨花客廳) A2	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Hotel and office project	Completed	Completed	30,416	81,380	–	–	100%
Yuhua Salon (雨花客廳) C South	East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and commercial project	Completed	Completed	42,639	133,832	–	70,677	100%
Yuhua Salon (雨花客廳) C North	East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Apartment and commercial project	Completed	Completed	48,825	189,193	–	68,611	100%
Lianyungang Shunfeng Project (連雲港順豐項目)#	No. 8 Xinguang Road, Lianyungang economics development zone, Nanjing, Jiangsu Province, the PRC	Commercial	Completed	Completed	–	7,571	–	–	100%
					155,486	491,263	–	199,588	

\# It represents the vacant shops acquired by the Group during the Year 2020.

(b) *Investment properties*

As at 31 December 2020, the investment properties of the Group mainly included Wonder City* (虹悅城), certain units of Yuhua Salon* (雨花客廳), Liuhe Happy Plaza Project* (六合歡樂廣場項目), Nantong Youshan Meidi Garden Project* (南通優山美地花園項目), Huitong Building Project* (匯通大廈項目), Zhenjiang Youshan Meidi Garden Project* (鎮江優山美地花園項目) and Weihai Project* (威海項目).

	Address	Existing use	Term of contract	GFA (sq.m.)	Interest attributable to the Group
Nanjing					
Wonder City (虹悅城)	No. 619 Yingtian Da Jie, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Shopping mall	Medium-term covenant	100,605	100%
Yuhua Salon (雨花客廳) (certain units)	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and shopping mall	Medium-term covenant	79,621	100%
Yuhua Salon (雨花客廳) (certain units)	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Car park	Medium-term covenant	2,704	100%
Liuhe Happy Plaza Project* (六合歡樂廣場項目) (two floors)	No. 52-71 Longjinlu Liuhe District, Nanjing, Jiangsu Province, the PRC	Shopping mall	Medium-term covenant	18,529	100%
Liuhe Happy Plaza Project* (六合歡樂廣場項目) (certain units)	No. 52-71 Longjinlu Liuhe District, Nanjing, Jiangsu Province, the PRC	Car park	Medium-term covenant	1,628	100%
Nantong					
Nantong Youshan Meidi Garden Project (南通優山美地花園項目)	No. 1888, Xinghu Avenue, Nantong, Jiangsu Province, the PRC	Commercial	Medium-term covenant	20,876	100%
Huitong Building Project (匯通大廈項目)	No. 20, Zhongxiu Street, Nantong, Jiangsu Province, the PRC	Commercial	Medium-term covenant	20,461	100%
Zhenjiang					
Zhenjiang Youshan Meidi Garden Project (鎮江優山美地花園項目)	At the cross of Guyang North Road and Yushan North Road, Jingkou District, Zhenjiang, Jiangsu Province, the PRC	Commercial	Medium-term covenant	10,085	100%
Weihai					
Weihai Project (威海項目)	Block 1, No. 229, Rongshan Road, Chengshan, Rongcheng City, Weihai, Shandong Province, the PRC	Commercial	Medium-term covenant	6,472	100%
				260,981	

(c) Green building services and entrusted construction services

During the Year 2020, the Group engaged in provision of technical design and consulting services, green management services and entrusted construction services in the PRC. During the Year 2020, the revenue from both green building services and entrusted construction services was approximately RMB11,052,000 (2019: RMB24,889,000).

(2) Tourism business

During the Year 2020, the Group has gradually developed its tourism business, with an industrial layout that combines investment and businesses and an integration of long-term and short-term initiatives. The tourism property projects currently invested and held by the Group include the Laguna project in Queensland, Australia, the Sheraton project in Australia and Nanjing Five Seasons Hotel project.

The Laguna project is located in Bloomsbury, Queensland, Australia as a large-scale comprehensive development project adjacent to the Great Barrier Reef with a land lot site area of approximately 29,821,920 sq.m.. The land is currently held for future development.

The Sheraton project is located in Port Douglas, Queensland, Australia, a globally renowned tourist resort. The Sheraton project comprises the Sheraton Mirage Resort and the Golf Club and has a total of 295 guest rooms, 4 restaurants and bars, and an 18-hole golf course, with a total land lot site area of approximately 1,108,297 sq.m., and a total GFA of approximately 62,328 sq.m.. During the Year 2020, there was a sharp decrease in the number of overseas customers as Australia has imposed entry restrictions since March 2020 due to the outbreak of the COVID-19 pandemic. The local travel restrictions in Queensland led to a further decrease in the revenue of the hotel.

Nanjing Five Seasons Hotel is located in the Software Valley, Nanjing City, Jiangsu Province, the PRC, with a land lot site area of 30,416 sq.m. and a total GFA of 81,380 sq.m.. As of 31 December 2020, the restaurants and a small number of guest rooms in the hotel have been put into trial operation.

(3) Investment and financial services business

During the Year 2020, the Group's investment and financial services business consists of holding and investing in various listed and unlisted equities and treasury products and provision of investment and financial related services.

(a) ***Listed equity investments held for trading***

The portfolios of listed equity investments of the Group held for trading as at 31 December 2020 and 31 December 2019 are set out as follows:

As at 31 December 2020

Stock code	Name	Number of shares held *(Note 2)*	Effective shareholding interest	Acquisition cost *RMB'000*	Carrying amount *RMB'000*	Unrealised holding gain/(loss) arising on revaluation for the Year 2020 *RMB'000*	Realised gain/(loss) arising from the disposal for the Year 2020 *RMB'000*	Dividend received/receivable for the Year 2020 *RMB'000*
153.HK *(Note 1)*	China Saite Group Company Limited	190,120,000	6.29%	88,646	16,661	(9,233)	–	–
1908.HK *(Note 1)*	C&D International Investment Group Limited	–	0%	–	–	–	31,234	–
2098.HK *(Note 1)*	Zall Smart Commerce Group Ltd ("**Zall Group**")	587,453,000	4.99%	573,252	351,453	(21,502)	7,639	–
8307.HK *(Note 1)*	Medicskin Holdings Limited	–	0%	–	–	–	(2,959)	–
1708.HK *(Note 1)*	Nanjing Sample Technology Company Limited	631,000	0.08%	918	1,212	394	110	–
					369,326	(30,341)	36,024	–

Notes:

1. All of the above companies are companies listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").
2. All of the shares held by the Group are ordinary shares of the relevant company.

As at 31 December 2019

Stock code	Name	Number of shares held *(Note 2)*	Effective shareholding interest	Acquisition cost *RMB'000*	Carrying amount *RMB'000*	Unrealised holding gain/(loss) arising on revaluation for the Year 2019 *RMB'000*	Realised gain/(loss) arising from disposal for the Year 2019 *RMB'000*	Dividend received/receivable for the Year 2019 *RMB'000*
153.HK *(Note 1)*	China Saite Group Company Limited	190,120,000	6.29%	88,646	26,877	(35,505)	176	–
1908.HK *(Note 1)*	C&D International Investment Group Limited	17,984,000	1.98%	65,541	145,142	33,360	31,815	34,044
2098.HK *(Note 1)*	Zall Smart Commerce Group Ltd	949,224,000	8.06%	947,452	645,482	(2,890,173)	–	–
8307.HK *(Note 1)*	Medicskin Holdings Limited	80,000,000	16.47%	45,334	11,882	(5,376)	–	2,818
					829,383	(2,897,694)	31,991	36,862

Notes:

1. All of the above companies are companies listed on the Stock Exchange.

2. All of the shares held by the Group are ordinary shares of the relevant company.

As at 31 December 2020 and 2019, the Group did not hold any significant investment with a value greater than 5% of the Group's total assets. The performance and prospect of the Group's major listed securities investment during the Year 2020 are as follows:

Zall Group

Based on information available publicly on the website of the Stock Exchange, the principal activities of Zall Group include developing and operating large-scale product focused wholesale shopping malls which focus on sales of consumer goods and the related value-added businesses, such as warehousing, logistics, e-commerce and financial services in the PRC. The Group held approximately 587,453,000 (31 December 2019: 949,224,000) shares in Zall Group, representing approximately 4.99% of its entire issued capital as at 31 December 2020 (31 December 2019: 8.06%). The carrying amount of Zall Group accounted for approximately 1% of the Group's total assets as at 31 December 2020 (31 December 2019: 1%). The Group is of the view that the unrealized holding loss derived from holding Zall Group is non-cash in nature and relates to the change in fair value of the Group's investment in Zall Group that is volatile in nature. The unrealised holding loss will not adversely affect the Group's operating financial positions.

In order to adjust the investment portfolio and focus on pursuing development opportunities in the future, on 5 June 2020, the Group entered into a placing agreement with a placing agent to dispose up to 422,000,000 shares of Zall Group (the "**Zall Group Shares**"), which represent approximately 3.58% of the then total issued share capital of Zall Group (the "**Placing**"). The Placing was made in multiple tranches and the final completion took place on 31 July 2020. An aggregate of 422,000,000 Zall Group Shares were successfully placed at the placing price of HK$0.78 per Zall Group Share. Following the completion and as at the date of this report, the Group holds 587,453,000 Zall Group Shares, representing approximately 4.99% of the total issued share capital of Zall Group. Further details of the Placing were set out in the announcements of the Company dated 5 June 2020 and 31 July 2020 respectively.

According to the 2020 interim report of Zall Group, Zall Group will continue to maintain its existing advantages in property development, expand industrial parks, logistics parks and warehouse facilities, and increase the market value of supply chain infrastructure and continuously enhance the service capability of the modern supply chain by developing and optimizing platform services such as logistics, finance, supply chain and cross-border transactions. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

(b) Other investments

During the Year 2020, apart from the above listed equity investments, the Group continued to monitor the portfolio performance and adjust the investments portfolio when necessary. The diversified investment portfolio is to implement the direction of expanding the sources of the Group's investment income and stabilizing its long term investment strategies.

(c) Investment and financial related consulting services

The Group offers a wide range of financial services to listed companies, high net-worth individuals and institutional & corporate clients, which include corporate finance, investment management, equity capital markets and money lending services, via a well-developed group of subsidiaries (referred to as the "**Baoqiao Group**").

During the Year 2020, this segment recorded a loss of approximately RMB1,081,265,000 (2019: RMB3,222,296,000). The significant change is mainly derived from the fair value changes in financial instruments which are relatively volatile in nature and the impairment losses recognised for certain financial assets. The gain before tax from the fair value changes in financial instruments for the Year 2020 was approximately RMB56,152,000 (2019: loss of RMB2,824,876,000). The significant fair value loss for Year 2019 was mainly attributable to share price of Zall Group dropped in a larger extent in Year 2019. The net impairment losses recognised for loan receivables for Year 2020 was approximately RMB924,338,000 (2019: RMB497,263,000). The gain from fair value change after tax of the financial instruments at fair value through other comprehensive income was approximately RMB103,632,000 (2019: loss of RMB1,505,000). As at 31 December 2020, the total amount of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income held by the Group were approximately RMB1,694,092,000 and RMB6,570,269,000 (31 December 2019: RMB2,128,787,000 and RMB6,323,866,000) respectively.

Management Discussion and Analysis

(4) **Healthcare, education and others business**

During the Year 2020, the Group continued to identify appropriate investment opportunities to inject new impetus for the sustainable development of healthcare and education businesses. The revenue of healthcare and education segment for the Year 2020 was RMB407,585,000 (2019: RMB350,514,000).

(5) **New Energy business**

(a) Wind gear transmission equipment

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging on its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW and 6MW wind power transmission equipment whose technology have reached an internationally advanced technical level and which have been provided to domestic and overseas customers in bulk and are well recognised by customers in general. In addition to the provision of diversified large wind power gear boxes to customers, the Group has also successfully developed and accumulated 7MW and above wind power gear box with a technological level comparable to the international level. With the product platform NGC StanGearTM and our core technology platform, we continue to upgrade product design and computation analysis technology, process manufacturing technology, heat treatment and control technology and the processing technology of precise tooth profiles for the reserve of solid technology foundation for the manufacturing of equipment in MW. In light of market development trend, the Group is actively developing gear boxes in MW and introducing technologies of status monitoring, big data analysis and mobile terminal technology so as to establish an integrated product and service system of intelligent gear boxes.

Currently, the Group maintains a strong customer portfolio. Customers of its wind power business include the major wind turbine manufacturers in the PRC, as well as the renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Vestas and Suzlon. With our quality products and good services, the Group has received a wide range of recognition and trust from customers at home and abroad. The Group has subsidiaries in the United States, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and to have closer communication and discussion with potential overseas customers with a view to providing further diversified services for global customers.

(b) Industrial gear transmission equipment

The Group's industrial gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, rubber and plastic, petrochemical, aerospace and mining.

In recent years, the Group insisted on the strategy for green development of the industrial gear transmission equipment business. Above all, with technology as its competitive advantage, the Group has upgraded the technology of the heavy products with a focus on energy-saving and environmentally-friendly products and explored in-depth the heavy-duty transmission field. Meanwhile, the Group has developed modular, serialized and intelligent products which are internationally competitive. Through the characteristics of "complete range, clear layers and precise subdivision" as our products positioning and market positioning, the Group would be able to facilitate its change in sales strategies and to explore new markets and industries. In particular, the Group aims to focus on the research and development of the standard gearbox and planetary gearbox segment and to explore new markets of the same segment. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as comprehensive system solutions to its customers, helping them to enhance their current production efficiency without increasing capital expenditure and satisfying the diverse and differentiated needs of customers, thereby maintaining the Group's position as a major supplier in the industrial gear transmission equipment market.

(c) Rail transportation gear transmission equipment

The Group's rail transportation gear transmission equipment is widely used in the rail transportation fields such as high-speed rails, metro lines, urban train and tram. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry. The Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation gear transmission equipment products, which has laid a solid foundation for further expansion of the international rail transportation market. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia and Canada. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, NGC rail transportation gearboxes are more environmentally friendly, and the products are well received by users.

(d) Trading business

The trading business of the Group mainly focuses on bulk commodity and steel industry chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. During the Year 2020, the bulk commodity trading business accounted for approximately 60% in the trading business. The trading business in steel industry chain mainly involves the procurement and wholesale of coal and coke (the raw material of steel), and the procurement and wholesale of steel. During the Year 2020, the trading business in steel industry chain accounted for approximately 40% in the trading business. The Group's trading business in steel industry chain takes core resources of its trade system as a key point in expanding its system. At present, the Group has completed the preliminary resource integration of the steel industry from the upstream raw material to special steel, which promotes the development of the trading business.

Management Discussion and Analysis

PROSPECT

In 2021, the Group will continue focusing on the development of its existing business sectors. Based on the idea of building up the industrial platform, the Group will operate and integrate resources on the resource end and platform end of self-support, equity participation and cooperation, so as to form an industrial platform with complete industrial hierarchy, business synergy and transaction logic. The Group firmly believes that a diversified business portfolio will bring it sustained and stable revenue, whereas various businesses will also fully utilize the synergy effect, laying a solid foundation for development of the Group.

The Group will continue striving to maintain a sound financial management policy, improve the effective utilization rate of funds, strengthen the internal corporate governance, control the business risks and enhance the risk-resistant ability of the Group.

As the domestic measures to prevent and control the COVID-19 pandemic in China have been implemented effectively and put in place, the impact of the COVID-19 pandemic on the overall business of the Group has been mitigated gradually. It is expected that the operation of the Group, especially the sectors of domestic hotels and commerce, will gradually resume in year 2021. The Group will closely observe the relevant developments.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately RMB5,008,274,000 or 45%, from approximately RMB11,163,103,000 for the Year 2019 to approximately RMB16,171,377,000 for the Year 2020. The revenue and the changes for the Year 2020 and Year 2019 derived from different segments are listed as below:

Segment	Year 2020	Year 2019	Changes	
	RMB'000	*RMB'000*	*RMB'000*	percentage
Properties	261,754	525,904	(264,150)	(50)%
Tourism	114,385	371,624	(257,239)	(69)%
Investment and financial services	19,142	45,273	(26,131)	(58)%
Healthcare, education and others	407,585	350,514	57,071	16%
New energy	15,368,511	9,869,788	5,498,723	56%
Total Revenue	16,171,377	11,163,103	5,008,274	45%

The increment of the revenue of the Group mainly derived from the new energy segment which contributed the largest increment to the revenue of Group amounting to approximately RMB5,498,723,000. It was mainly due to the increase in market demands of wind gear transmission equipment which led to the increase in delivery.

The revenue from healthcare, education and others segment increased slightly by approximately RMB57,071,000 because of more early learning centres acquired in the second half of the Year 2019. Though the revenue from education segment increased, its growth was adversely affected by the outbreak of COVID-19 pandemic in Year 2020. The average revenue for each early learning centre decreased due to the short-term policy implemented by Australian government which set a cap on the fee charged by the early learning centre for a few months during the year. However, the demand for early learning centre services in the second half of the Year 2020 improved gradually with the effective control of the spread of COVID-19 pandemic by the Australian government.

The revenue from properties segment decreased by approximately RMB264,150,000 which was mainly because fewer property units were delivered and less construction services contracts were secured in the Year 2020.

The revenue from tourism segment also decreased by approximately RMB257,239,000, which was attributed to the slump in the demands of travelers under the travel restrictions imposed by different countries due to the outbreak of COVID-19 pandemic during the Year 2020.

Cost of sales and services

The cost of sales and services of the Group increased by approximately RMB3,878,324,000, or 44%, from approximately RMB8,858,077,000 for the Year 2019 to approximately RMB12,736,401,000 for the Year 2020. The cost and changes for the Year 2020 and Year 2019 derived from different segments are listed as below:

Segment	**Year 2020**	Year 2019	**Changes**	
	RMB'000	*RMB'000*	***RMB'000***	percentage
Properties	**147,169**	255,259	**(108,090)**	**(42)%**
Tourism	**109,787**	353,310	**(243,523)**	**(69)%**
Investment and financial services	**6,587**	7,398	**(811)**	**(11)%**
Healthcare, education and others	**289,449**	266,068	**23,381**	**9%**
New energy	**12,183,409**	7,976,042	**4,207,367**	**53%**
Total cost	**12,736,401**	8,858,077	**3,878,324**	**44%**

Gross profit and gross profit margin

The gross profit of the Group increased by approximately RMB1,129,950,000, or 49%, from approximately RMB2,305,026,000 in the Year 2019 to approximately RMB3,434,976,000 for the Year 2020. The gross profit margin maintained at 21% for both the Year 2020 and Year 2019. The gross profit of the Group was mainly derived from new energy segment. The gross profit and gross profit margin for the Year 2020 derived from new energy segment was approximately RMB3,185,102,000 and 21% respectively. The gross profit and gross profit margin in the Year 2019 derived from new energy segment were RMB1,893,746,000 and 19% respectively. The increase in gross profit of new energy segment was mainly due to the increase in the market demand of wind gear transmission equipment.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased slightly by approximately RMB31,446,000, or 6%, from approximately RMB504,746,000 in the Year 2019 to approximately RMB473,300,000 for the Year 2020. The selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses and staff costs. The decrease in selling and distribution expenses in the Year 2020 was mainly in line with the decrease in property sales from properties segment.

Management Discussion and Analysis

Administrative expenses

Administrative expenses of the Group increased slightly by approximately RMB23,825,000, or 3%, from approximately RMB918,625,000 in the Year 2019 to approximately RMB942,450,000 for the Year 2020. The administrative expenses for the Year 2020 mainly included salaries and staff welfare, depreciation and amortisation of tangible and intangible assets. The increase in administrative expenses in the Year 2020 was mainly due to the increase in staff costs.

Research and development costs

Research and development costs of the Group increased by approximately RMB113,511,000, or 28%, from approximately RMB404,238,000 in the Year 2019 to approximately RMB517,749,000 for the Year 2020. The increase in research and development costs mainly due to increase in efforts put on research and development of new products in new energy segment.

Net impairment losses on the financial assets

The net impairment loss on the financial assets of the Group in the Year 2020 increased by approximately RMB555,782,000 or 109%, from approximately RMB510,068,000 for the Year 2019 to approximately RMB1,065,850,000 for the Year 2020. A significant net impairment losses recognised was due to the increment of the expected loss rate of loans and other receivables in view of delayed repayments and continuous worsening financial status of certain borrowers or debtors.

Other income

Other income decreased by approximately RMB211,746,000, or 31%, from approximately RMB673,640,000 in the Year 2019 to approximately RMB461,894,000 for the Year 2020. Other income for the Year 2020 mainly included other interest income of approximately RMB64,019,000, government grants of approximately RMB185,644,000 and sales of scraps and materials of approximately RMB73,160,000. Other income in the Year 2019 mainly included other interest income of approximately RMB241,785,000, dividend income of approximately RMB154,236,000 and management fees income of RMB111,286,000.

Net fair value change in financial instruments

The Group maintains its investment segment through possessing and investing in various investment and financial products for potential or strategic use purposes. The Group recorded a gain on change in fair value of financial instruments of approximately RMB56,152,000 for the Year 2020 as compared to the loss on change in fair value of approximately RMB2,824,876,000 in the Year 2019. The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss in Year 2019 was mainly due to the price decrease of 949,224,000 shares of Zall Group held by the Group. In Year 2020, the share price is relatively stable. The Group will closely monitor its investment performance and will adjust its investment plan and portfolio when necessary.

Other losses – net

During the Year 2020, other losses included impairment losses of property, plant and equipment and goodwill amounting to RMB258,892,000 and RMB181,669,000 respectively. The impairment mainly related to hotel and land used for development of resort and the goodwill from education segment, both located in Australia. Due to the outbreak of COVID-19 pandemic, the tourism industry has been massively affected by the spread of coronavirus, as many countries have introduced travel restrictions in an attempt to contain its spread. Also, at the peak of the outbreak of COVID-19 pandemic, the job crisis arose from the suspension of economic activities started to put a challenge on the early learning industry, though there were subsidies from the government. In view of the negative impact brought by the coronavirus, the management considered there may be an indicator of impairment. Therefore the management reassessed the recoverable amounts of the relevant assets during the Year 2020, and found that they were lower than their carrying values. Accordingly, impairment losses were recognised.

Finance costs

Finance costs of the Group decreased by approximately RMB222,349,000, or 27%, from approximately RMB827,352,000 in the Year 2019 to approximately RMB605,003,000 for the Year 2020, which was mainly due to the lower average borrowing amount of the Group for the Year 2020 than in the Year 2019.

Share of result of joint ventures

The Group's share of result of its joint ventures changed from share of loss of approximately RMB252,047,000 in the Year 2019 to share of profit of approximately RMB6,513,000 for the Year 2020. It is mainly because of the impairment loss recognised for the investee of Fullshare Value Fund I L.P ("**Value Fund**"), a joint venture, in Year 2019 and no such item was noted during the Year 2020.

Income tax expenses/credit

For the Year 2020, the current tax expense and the deferred tax credit of the Group amounted to approximately RMB447,569,000 and RMB46,721,000 respectively, and for the Year 2019, the current tax expense and the deferred tax credit amounted to approximately RMB234,253,000 and RMB603,811,000, respectively. The increase in current tax expense was mainly due to more profits made by new energy segment.

The deferred tax credit in the Year 2019 was mainly derived from the fair value loss in financial instruments and net impairment losses on financial assets. There was no such significant charge in fair value in financial instruments in Year 2020.

Loss for the Year 2020

For the Year 2020, the Group recorded a loss after tax of approximately RMB698,280,000 (2019: RMB2,844,118,000). The performance for Year 2020 improved was mainly due to the decrease in net fair value loss after tax in financial instruments and the significant increase in operating profits from new energy segment.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the Year 2020, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash position

As at 31 December 2020, the Group had cash and cash equivalents (excluding the restricted cash) of approximately RMB2,490,570,000 (31 December 2019: RMB2,797,003,000), representing a decrease by approximately RMB306,433,000 or 11% as compared to 31 December 2019. The Group's cash and cash equivalents remain stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

Bank and other borrowings and corporate bonds

As at 31 December 2020, the debt profile of the Group was analysed as follows:

	As at 31 December 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Bank and other borrowings repayable:		
Within one year or on demand	**5,019,531**	5,199,030
Between one and two years	**700,166**	1,698,471
Between two to five years	**1,319,302**	451,100
Over five years	**178,133**	381,816
	7,217,132	7,730,417
Corporate bonds repayable:		
Within one year or on demand	**–**	1,923,316
Between one and two years	**–**	498,437
	–	2,421,753
Total debts	**7,217,132**	10,152,170

As at 31 December 2020, the total debt of the Group decreased by approximately 2,935,038,000 or 29%, as compared with 31 December 2019.

Leverage

The gearing ratio of the Group as at 31 December 2020, calculated as a ratio of the sum of bank and other borrowings and corporate bonds to total assets, was approximately 17% (31 December 2019: 23%). The net equity of the Group as at 31 December 2020 was approximately RMB20,796,980,000 (31 December 2019: approximately RMB20,867,821,000).

As at 31 December 2020, the Group recorded total current assets of approximately RMB22,016,575,000 (31 December 2019: RMB21,803,811,000) and total current liabilities of approximately RMB18,422,573,000 (31 December 2019: RMB18,010,483,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.2 as at 31 December 2020 (31 December 2019: 1.2).

FOREIGN EXCHANGE EXPOSURE

The assets, liabilities and transactions of the Group are mainly denominated in RMB, Hong Kong dollars, Australian dollars, US dollars, Euros and Singaporean dollars. The Group currently does not have a foreign currency hedging policy. In order to manage and reduce foreign exchange exposure, the management will evaluate the Group's foreign exchange exposure from time to time and take actions as appropriate.

TREASURY POLICIES

As at 31 December 2020, bank and other borrowings of approximately RMB5,853,810,000, RMB888,499,000, RMB202,330,000 and RMB272,493,000 were denominated in RMB, US dollars, Hong Kong dollars and Australia dollars respectively (31 December 2019: RMB5,837,502,000, RMB917,971,000, RMB678,517,000 and RMB296,427,000). As at 31 December 2019, corporate bonds of approximately RMB2,412,713,000 and RMB9,040,000 were denominated in RMB and Hong Kong dollars respectively. The debts in various currencies were mainly made to finance the operation of Group's entities in different jurisdictions.

Bank and other borrowings and corporate bonds of approximately RMB5,649,084,000 (31 December 2019: RMB9,877,218,000) were at fixed interest rates, the remaining balances were either at variable rates or non-interest bearing. Cash and cash equivalents held by the Group were mainly denominated in RMB, Hong Kong and Australia dollars. The Group currently does not have foreign exchange and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

PLEDGE OF ASSETS

Details of the Group's pledged assets as at 31 December 2020 are set out in note 53 to the consolidated financial statements in this report.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the Year 2020, are set out in note 6 to the consolidated financial statements in this report.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 December 2020 are set out in note 52 to the consolidated financial statements in this report.

Management Discussion and Analysis

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2020 are set out in note 51 to the consolidated financial statements in this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group that have occurred since the end of the Year 2020 are set out in note 57 to the consolidated financial statements in this report.

MATERIAL ACQUISITIONS AND DISPOSALS

To expand the scale of operations and improve the quality of the assets of the Group, the Group conducted the following material acquisitions and disposal in the Year 2020:

(i) On 31 December 2019, Nanjing Fullshare Dazu Technology Co., Ltd.* (南京豐盛大族科技股份有限公司) ("**Fullshare Dazu**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Nanjing Chuangrui Enterprise Management Co., Ltd.* (南京創睿企業管理有限公司) ("**Nanjing Chuangrui**"), pursuant to which, Fullshare Dazu agreed to acquire, and Nanjing Chuangrui agreed to sell 100% equity interest of Nanjing Zhonghui Heda Business Management Co., Ltd.* (南京眾慧合達商業管理有限公司) ("**Zhonghui Heda**") for a consideration of RMB398,000,000 (equivalent to approximately HK$443,060,000). Zhonghui Heda is principally engaged in holding two floors of a large shopping mall in Liuhe District, Nanjing, Jiangsu Province, the PRC. The acquisition of Zhonghui Heda was completed on 21 January 2020. Following completion of the acquisition, the financial results of Zhonghui Heda have been consolidated into the financial results of the Group. Details of the acquisition were set out in the announcements of the Company dated 31 December 2019 and 17 January 2020 respectively.

(ii) On 15 January 2020, Fullshare Dazu entered into a limited partnership agreement (the "**Partnership Agreement**") with Sumin Kaiyuan Wuxi Investment Co., Ltd.* (蘇民開源無錫投資有限公司) ("**Sumin Kaiyuan**") and Sumin Capital Co., Ltd.* (蘇民資本有限公司) ("**Sumin Capital**") to establish Wuxi Sumin Fullshare Entrepreneur Investment Partnership Enterprise (Limited Partnership)* (無錫蘇民豐盛創業投資合夥企業(有限合夥)) (the "**Partnership**"), pursuant to which, the total amount of capital commitments of the Partnership is RMB600,000,000, of which Sumin Kaiyuan (as general partner) has agreed to contribute RMB1,000,000 while Fullshare Dazu and Sumin Capital (as limited partners) have agreed to contribute RMB300,000,000 and RMB299,000,000 respectively. Sumin Kaiyuan and Sumin Capital are direct wholly-owned subsidiaries of Jiangsuminying Investment Holding Limited* (江蘇民營投資控股有限公司), a company in which Fullshare Dazu has approximately 10% interests as at the date of the Partnership Agreement. The purpose of the Partnership is to invest in projects relating to property development and investment business. The Partnership has been established on 21 January 2020 and Fullshare Dazu owns 50% equity interest in the Partnership as at the date of this report. Details of the Partnership were set out in the announcements of the Company dated 15 January 2020 and 3 February 2020 respectively.

(iii) On 16 January 2020, Fullshare Dazu (as purchaser) entered into a sale and purchase agreement with (a) New World (Qingdao) Real Estate Co., Ltd* (新世界(青島)置地有限公司) and Top Sky Investments Limited (頂佳投資有限公司) (as vendors), (b) World Trade Plaza (Shenyang) Real Estate Co., Ltd.* (世貿廣場(瀋陽)置業有限公司) (as target company) ("**World Trade Plaza**"), and (c) Mr. Qi Hongbo (漆洪波) (as guarantor), pursuant to which Fullshare Dazu conditionally agreed to acquire and the vendors conditionally agreed to sell 100% equity interest of World Trade Plaza for a consideration of RMB700,000,000. The proposed acquisition was subsequently terminated on 27 April 2020. Details of the proposed acquisition and its termination were set out in the announcements of the Company dated 16 January 2020 and 27 April 2020 respectively.

(iv) On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海釃福企業管理合夥企業(有限合夥))(the "**Employee Partnership Enterprise**") entered into a capital increase agreement (the "**Capital Increase Agreement**") with Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) ("**Nanjing Gear**", being an indirect wholly-owned subsidiary of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司*)("**CHS**", a company listed on the Main Board of the Stock Exchange under stock code of 658), which in turn is an indirect non-wholly owned subsidiary of the Company) and Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司)("**Nanjing High Speed**", a direct wholly-owned subsidiary of Nanjing Gear as at the date of the Capital Increase Agreement), pursuant to which the Employee Partnership Enterprise agreed to make the capital contribution in an aggregate amount of RMB150,000,000 in cash to the registered capital of Nanjing High Speed (the "**Capital Increase**"). The Capital Increase has been completed on 24 December 2020 and Nanjing High Speed remains an indirect non-wholly owned subsidiary of the Company and its financial results continue to be consolidated with the financial results of the Group. Immediately upon completion of the Capital Increase, the Employee Partnership Enterprise owns as to approximately 6.98% of the equity interest in Nanjing High Speed, while the equity interest of Nanjing Gear in Nanjing High Speed was reduced from 100% to approximately 93.02%. The Capital Increase contemplated under the Capital Increase Agreement therefore constituted a deemed disposal (the "**Deemed Disposal**") under Rule 14.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the Company. The purpose and objectives of the Capital Increase are to recognise the contribution by the designated employees of CHS and its subsidiaries (the "**CHS Group**") and to provide them with incentives in order to align their interests with the CHS Group and to retain them for the continual operation and development of the CHS Group. Details of the Capital Increase and Deemed Disposal were set out in the joint announcement of the Company and CHS dated 4 December 2020 and the announcement and circular of CHS dated 23 December 2020 and 24 December 2020, respectively.

In the Year 2020, save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or joint ventures.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Friday, 4 June 2021, the register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 31 May 2021.

EMPLOYEES

As at 31 December 2020, the Group had 8,474 employees (31 December 2019: 7,926 employees). The Group's total staff costs (including executive directors' remuneration) amounted to approximately RMB2,452,995,000 in the Year 2020 (Year 2019: approximately RMB1,807,414,000). Employees' remunerations are determined according to the Group's operating results, job requirements, market salary level and ability of individuals. The Group regularly reviews its remuneration policy and additional benefit programs and makes necessary adjustments to bring them in line with the industry level. In addition to basic salaries, the Group has established revenue sharing programs and performance appraisal plans to provide rewards according to the Group's results and employees' individual performance. The Group has also adopted a share option scheme and a share award scheme to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents.

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE CODE

Fullshare Holdings Limited (the "**Company**") is committed to maintaining a high standard of corporate governance. The board (the "**Board**") of directors (the "**Director(s)**") of the Company believes that a high standard of corporate governance provides a framework and solid foundation for the Company and its subsidiaries (collectively the "**Group**") to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders (the "**Shareholder(s)**") and other stakeholders of the Company.

The Company has applied the principles and complied with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2020 (the "**Year 2020**") except for the following deviation:

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year 2020, the positions of chairman and chief executive officer (the "**CEO**") of the Company were held by Mr. Ji Changqun. The Board believes that the holding of both positions of chairman and CEO by the same individual allows more effective planning and execution of business strategies. In addition, the Board is of the view that the balanced composition of the executive and independent non-executive Directors on the Board and the various committees of the Board in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will review regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year 2020.

THE BOARD

The Board currently consists of a total of six Directors, comprising three executive Directors and three independent non-executive Directors (the "**INED(s)**"). The composition of the Board during the year and up to the date of this report is set out as follows:

Executive Directors

Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen

INEDs

Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

There is no financial, business, family or other material/relevant relationship among the members of the Board.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules that require every board of directors of a listed issuer to include at least three INEDs representing at least one-third of the board, and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

For an INED to be considered independent, the Board must determine that the INED does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of the INEDs. The Board has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent.

All INEDs were appointed for a specific term of three years, subject to re-election.

According to the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting of the Company (the "**AGM**"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

The Company provides Directors with directors' liability insurance in respect of relevant legal actions against the Directors.

Board Process

The Board is responsible for formulating overall strategies, approving and monitoring the Group's policies and business plans, evaluating the performance of the Group and supervising the work of management. It delegates day-to-day operations and administration of the Company to the management within the control and authority set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**"), the risk management committee (the "**Risk Management Committee**") and the environmental, social and governance committee (the "**ESG Committee**") of the Company. Further details of these committees are set out below in this report.

During the Year 2020, four Board meetings were held and the chairman of the Board held a meeting with the INEDs without the presence of other executive Directors. The attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee, ESG Committee and general meetings of the Company during the Year 2020 are set out below:

	Attendance/number of meetings held during the Year 2020							
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	ESG Committee	General Meetings	Chairman with INEDs Meeting
Executive Directors								
Mr. Ji Changqun	4/4	n/a	n/a	1/1	n/a	n/a	2/2	1/1
Ms. Du Wei	4/4	n/a	1/1	n/a	4/4	2/2	2/2	n/a
Mr. Shen Chen	4/4	n/a	n/a	n/a	4/4	2/2	2/2	n/a
INEDs								
Mr. Chow Siu Lui	4/4	3/3	n/a	n/a	n/a	n/a	2/2	1/1
Mr. Lau Chi Keung	4/4	3/3	1/1	1/1	n/a	n/a	2/2	1/1
Mr. Tsang Sai Chung	4/4	3/3	1/1	1/1	4/4	2/2	2/2	1/1

The Board meets regularly at least four times a year and has formal procedures to include matters to be referred to it for consideration and approval at the Board meetings. At least 14 days' notice is given to all Directors for regular Board meetings. Each director may include any item in the agenda. The agenda and accompanying meeting papers with sufficient information are sent to all Directors at least 3 days before the intended date of a regular Board meeting to enable the Directors to make informed decisions on the matters to be discussed (and so far as practicable for such other Board meetings). Between scheduled meetings, management provides information to the Directors on the activities of and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any Director may request the company secretary of the Company (the "**Company Secretary**") to seek for independent professional advice to assist the Directors to effectively discharge their duties.

Draft minutes of each Board meeting and Board committee meeting are circulated to all Directors/Board committee members for their comments within a reasonable time after each meeting before being approved by the chairman of such meeting. Minutes shall record sufficient details in relation to matters considered and decisions reached, including any concerns raised by Directors/Board committee members or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are available for inspection by any Director/Board committee member.

If a substantial shareholder or a Director has a material conflict of interest in a matter considered by the Board, the matter will be dealt with by a physical Board meeting. Except for those circumstances permitted by the Articles of Associations and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement in which he/she or any of his/her associates has a material interest nor shall he/she be counted in the quorum present at the Board meeting.

Directors' Professional Continuous Development

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure he/she has a proper understanding of the Company's operations and business and full awareness of his/her responsibilities under the Listing Rules, legal and other regulatory requirements, and in particular the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of the Directors.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills so as to ensure their contribution to the Board remains informed and relevant. On an ongoing basis, all Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend trainings, seminars, conferences and forums as appropriate. They are also regularly updated by reading materials concerning the business and financial updates, directors' duties, latest developments in corporate governance practices and relevant legal and regulatory developments. Records of training received by the Directors for the year ended 31 December 2020 are summarised as follows:–

Name of Directors	Attending trainings/seminars/ conferences/forums	Reading materials relating to the business and financial updates, directors' duties, corporate governance practices, legal and regulatory developments, etc.
Executive Directors		
Mr. Ji Changqun	✓	✓
Ms. Du Wei	✓	✓
Mr. Shen Chen	✓	✓
INEDs		
Mr. Lau Chi Keung	✓	✓
Mr. Chow Siu Lui	✓	✓
Mr. Tsang Sai Chung	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year 2020, the Board has performed the corporate governance duties by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 18 January 2006, and is chaired by an INED and the majority of the members of the Remuneration Committee are INEDs. The current members of the Remuneration Committee are:

Mr. Lau Chi Keung *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management of the Company. No Director can determine his/her own remuneration package. The terms of reference of the Remuneration Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2020, the Remuneration Committee held one meeting and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the Remuneration Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during the Year 2020. The works performed by the Remuneration Committee during the Year 2020 were summarized as below:

(i) reviewed the Group's remuneration policy and structure;

(ii) reviewed the existing remuneration package of all executive Directors and senior management of the Company and recommended for the Board's approval the remuneration for the Year 2020;

(iii) reviewed and recommended for the Board's approval the existing remuneration of all INEDs for the Year 2020; and

(iv) reviewed and recommended for the Board's approval the cancellation of part of share options under the share option scheme of the Company.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2012, and is chaired by the chairman of the Board and the majority of the members of the Nomination Committee are INEDs. The current members of the Nomination Committee are:

Mr. Ji Changqun *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and identifying suitable candidates and making recommendations to the Board in relation to the appointments of new Directors and re-nomination and re-election of Directors. The terms of reference of the Nomination Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

The Nomination Committee has formulated and set out the nomination policy (the "**Nomination Policy**") in its terms of reference. The objective of the Nomination Policy is to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of directors, as well as plans in place for orderly succession for appointments (if considered necessary). When nominating candidates for directorships, the Nomination Committee will consider candidates on merit and against the objective criteria as set out under the Nomination Policy, including his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how as set out in the board diversity policy (the "**Board Diversity Policy**")) as well as the effective carrying out by the Board of the responsibilities, in order to determine whether a candidate is qualified before making recommendations to the Board. Further details of the nomination procedures and criteria are set out in the terms of reference of the Nomination Committee which are available on the websites of the Stock Exchange and the Company.

During the Year 2020, the Nomination Committee held one meeting and the attendance of each member is set out in the section headed "The Board" of this report. The works performed by the Nomination Committee during the Year 2020 were summarized as below:

(i) reviewed the structure, size, composition and diversity of the Board;

(ii) assessed the independence of each INED; and

(iii) reviewed and recommended for the Board's approval the re-election of Directors.

Board Diversity Policy

The Board has adopted the Board Diversity Policy on 1 September 2013, and subsequently updated on 1 January 2019, which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy, and monitor the implementation of the same. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

A copy of the Board Diversity Policy is available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee was established on 26 November 2002. The Audit Committee currently comprises three INEDs and the chairman possesses appropriate professional qualifications, accounting and related financial management expertise. The current members of the Audit Committee are:

Mr. Chow Siu Lui *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

The Audit Committee is responsible for, amongst other things, overseeing the relationship with the external auditors, reviewing the Group's interim and annual results, reviewing the scope, extent and effectiveness of the internal financial control system of the Group, reviewing financial reporting system of the Group, and seeking independent professional advice in appropriate circumstances to discharge its duties. The terms of reference of the Audit Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2020, the Audit Committee held three meetings and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the Year 2020. The works performed by the Audit Committee during the Year 2020 were summarized as below:

(i) reviewed and recommended for the Board's approval the annual results for the year ended 31 December 2019 and the interim results for the six months ended 30 June 2020;

(ii) reviewed the engagement and service fee of external auditors to provide audit service;

(iii) reviewed the independence of the external auditor;

(iv) reviewed the financial reporting system of the Group;

(v) reviewed the engagement and service fee of external internal control consultant to provide internal control review service;

(vi) assessed the effectiveness of the internal financial control system of the Group; and

(vii) reviewed the effectiveness of the internal audit function of the Group.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 16 December 2016, which is chaired by an executive Director and the majority of the members of the Risk Management Committee are executive Directors. The current members of the Risk Management Committee are:

Mr. Shen Chen *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

The Risk Management Committee is responsible for advising the Board on the overall risk appetite/tolerance and risk management strategies of the Group, overseeing the implementation of the risk management strategies, and reviewing the scope, extent and effectiveness of the internal control system (other than internal financial control system) of the Group. The terms of reference of the Risk Management Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2020, the Risk Management Committee held four meetings and the attendance of each member is set out in the section headed "The Board" of this report. The works performed by the Risk Management Committee during the Year 2020 were summarized as below:

(i) assessed the effectiveness of the risk management strategies;

(ii) identifying the overall risks of the Group; and

(iii) assessed the effectiveness of the internal control system (other than internal financial control system) and risk management system of the Group.

ESG COMMITTEE

The ESG Committee was established on 7 July 2018, which is chaired by an executive Director and the majority of the members of the ESG Committee are executive Directors. The current members of the ESG Committee are:

Ms. Du Wei *(Chairman)*
Mr. Shen Chen
Mr. Tsang Sai Chung

The ESG Committee is responsible for reviewing the Company's environmental, social and governance policies and practices and monitoring the implementation of the same. The terms of reference of the ESG Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The Company Secretary, Ms. Seto Ying, undertook not less than 15 hours of relevant professional training during the Year 2020.

AUDITORS' REMUNERATION

The fees paid/payable to Baker Tilly Hong Kong Limited, the external auditor of the Company, for audit and non-audit services for the year ended 31 December 2020 amounted to approximately RMB7,750,000 (2019: RMB6,750,000) and approximately RMB4,048,000 (2019: RMB2,700,000) respectively. Details of the fees paid/payable to the external auditor for non-audit services for the year are listed below:

Review of interim and Group's entities' financial statements	RMB2,958,000
Consultancy fee for tax advisory	RMB429,000
Other professional services	RMB661,000

There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee for a period of two years from the date of his ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered. Taking into account the independence of the auditor, the relationship of the auditor with the Company as well as the opinion of the management of the Company, the Audit Committee recommended the Board to re-appoint Baker Tilly Hong Kong Limited as the external auditor of the Company for the year ending 31 December 2021, subject to approval by the Shareholders at the forthcoming AGM to be held on 4 June 2021.

INTERNAL CONTROL

The Board has, through the Audit Committee and the Risk Management Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions for the Year 2020. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

In order to improve the Group's internal control, the Company has engaged RSM Consulting (Hong Kong) Limited ("**RSM**") to perform a review of the procedures, systems and controls for the Group. RSM has submitted its internal control review reports for the Group to the Audit Committee and the Board in March 2020, August 2020 and March 2021 respectively. Findings and recommendations concerning improvements to the Group's internal control have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate. In order to further enhance the effectiveness of the internal control, the Company has implemented an ongoing internal control review plan by engaging RSM for the coming year.

Procedures to Identify, Evaluate and Manage Significant Risks

The Risk Management Committee has set up a Risk Management Working Group (the "**Working Group**"), which the members come from different departments including internal audit, finance, legal compliance, investment as well as human resources. The Working Group holds regular quarterly meeting. Different departments report to the Working Group in respect of its own identified risks and the Working Group discusses and evaluates the proposal to manage the risks. Any significant risks once identified will be reported to the Risk Management Committee immediately, if necessary. The Risk Management Committee holds regular quarterly meeting to discuss and assess the identified risks reported by the Working Group and also assess the effectiveness of the risk management strategies and the internal control and risk management systems. The Risk Management Committee reports to the Board regularly. The meeting minutes of the Working Group and the Risk Management Committee are kept by the Company Secretary, which are available for inspection by any Director. The Board considered the Group's risk management system to be effective and adequate.

Inside Information

The Company has followed the procedures for handling and disclosure of inside information during the Year 2020. All departments of the Company shall report inside information which may materially affect the Company's share price to the Company Secretary and the legal compliance department. The Company has communicated with all relevant staff regarding the implementation of the procedures and relevant trainings are also provided.

Internal Audit

The internal audit department generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2020. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2020 have been properly prepared in accordance with the statutory requirements and applicable accounting standards on a going concern basis.

The statement by the auditor of the Group regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 60 to 67.

COMMUNICATION WITH SHAREHOLDERS

The Shareholders' communication policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

Shareholders and potential investors are encouraged to access to the Company's website at www.fullshare.com which has provided more comprehensive information to enhance the transparency and communication effectiveness between the Company, Shareholders and investment community. The Company has established a number of channels to maintain an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.fullshare.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGM and extraordinary general meeting (the "**EGM**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management of the Company;

(v) Company's share registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;

(vi) Shareholders and the investment community may at any time make a request to the Company Secretary or the contacts for investor relationship of the Company in writing for the Company's information to the extent such information is publicly available. The contact details are set out under the "Contact Us" section of the Company's website at www.fullshare.com; and

(vii) publicly available news and information about the Company can also be sent to the Shareholders who have subscribed to the notification service on the Company's website.

The Company complies with the notice period requirements for convening a general meeting under the Listing Rules, Articles of Association and other applicable rules and regulations. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the general meeting. The chairman of the general meeting answers questions from the Shareholders regarding voting by way of poll. Relevant announcement on the results of the vote by poll shall be made by the Company after the general meeting in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association, the Board shall, on the written requisition to the Board or the Company Secretary, of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, proceed to convene an EGM for the transaction of any matters specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting forward Proposals at a General Meeting

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an EGM for any matters specified in such written requisition.

Procedures for Proposing a Person for Election as a Director

Shareholders may elect any individual (the "**Candidate**") to be a Director by ordinary resolution. The Candidate for election is proposed by separate resolution put forward for Shareholders' consideration at general meetings.

According to Article 88 of the Articles of Association, any member who wishes to propose a Candidate (other than the member himself/herself) for election as a Director should observe the following nomination procedure:

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.

2. Obtain a notice signed by the Candidate stating his/her willingness to be elected.

3. Both notices shall be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

4. Should the notice of the general meeting for such election has been sent out, the period for lodgement of such notice shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is the seventh day before the date of such general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose contact details are set out under the "Contact Us" section of the Company's website at www.fullshare.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the Year 2020, the Company has not made any changes to its Memorandum and Articles of Association. The updated version of the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company. Shareholders may refer to the Articles of Association for further details of their rights.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

On behalf of the Board

Ji Changqun
Chairman

Hong Kong, 31 March 2021

Report of the Directors

The board (the "**Board**") of directors (the "**Director(s)**") of Fullshare Holdings Limited (the "**Company**") presents the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 (the "**Year 2020**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services and new energy business. Details of the principal activities of each of the principal subsidiaries of the Group are set out in note 54 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 68 to 69 of this report.

The Board has resolved not to declare a dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Friday, 4 June 2021, the register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 31 May 2021.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company (the "**Shareholder(s)**") as at 31 December 2020 and 2019 were as follows:

	2020 **RMB'000**	2019 RMB'000
Share premium	**17,190,894**	17,190,894
Contributed surplus	**82,603**	82,603
Accumulated losses	**(1,330,990)**	(417,978)
Total	**15,942,507**	16,855,519

Under the Companies Law, Cap. 22 of the Cayman Islands, the share premium is available for paying distributions or dividends to Shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business. The articles of association of the Company (the "**Articles of Association**") provides that an ordinary resolution passed by the Shareholders is required for any distribution out of the share premium account. In the opinion of the Directors, the reserves of the Company available for distribution comprise share premium, contributed surplus and retained profits.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2020 are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

There were no new ordinary shares of the Company (the "**Share(s)**") issued during the year ended 31 December 2020. Details of movement in the share capital of the Company during the year ended 31 December 2020 are set out in note 42 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year 2020 or subsisted at the end of the year, save for the Share Option Scheme (as defined below) as set out in the section headed "Share Option Scheme" of this report and any outstanding share options thereunder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In March 2017, July 2017 and January 2018, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.* (南京高精傳動設備製造集團有限公司) ("**Nanjing Drive**"), a wholly-owned subsidiary of China High Speed Transmission Equipment Group Co., Ltd ("**CHS**") which in turn is the non-wholly owned subsidiary of the Company, issued three tranches of corporate bonds with principal amounts of RMB900 million, RMB1,020 million and RMB500 million (the "**Bonds**") which carry interest rates of 6.47%, 6.50% and 7.50% per annum, respectively, and the Bonds were all listed on the Shanghai Stock Exchange. The Bonds have a period of 5 years, attached with the option to ask for early redemption of the Bonds by the subscriber(s) and to adjust the interest rate by Nanjing Drive at the end of the third year. During the year ended 31 December 2020, Nanjing Drive paid an aggregate amount of RMB2,420 million for the full redemption of the Bonds (the "**Redemption**") and the Bonds were then delisted from the Shanghai Stock Exchange and cancelled subsequently. Nanjing Drive funded the Redemption with its internal resources. For details of the Redemption, please refer to the announcement of CHS dated 19 August 2020.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company or its subsidiaries during the Year 2020.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company which has been approved by the Shareholders at the Company's extraordinary general meeting held on 17 August 2018 (the "**Share Option Scheme**"). Under the Share Option Scheme, the Board shall be entitled to offer to grant share options to any eligible participant. The major terms of the Share Option Scheme are set out below:

(1) The purpose of the Share Option Scheme is to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents.

(2) Eligible participants include the official full-time employees who have passed the probation and rank a level of director (總監) and above, as well as other employees of the Group selected by the Board or the Shareholders at general meeting.

(3) The total number of Shares available for issue under the Share Option Scheme is 1,916,968,573 Shares, representing approximately 9.73% of the total issued share capital of the Company as at the date of this report. The aggregate value of Shares to be granted under the Share Option Scheme and Share Award Scheme (as defined below) shall not exceed HK$350 million (the "**HK$350 Million Limit**").

(4) The total number of Shares issued and to be issued upon exercise of share options granted and to be granted to any single eligible participant (other than a substantial Shareholder or an independent non-executive Director, or any of their respective associates) under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue on the date of grant. For share options granted or to be granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, the said limit is reduced to 0.10% of the total number of Shares in issue and HK$5 million in aggregate value based on the closing price of the Shares on the date of each grant. Any further grant of share options in excess of such limits is subject to Shareholders' approval at general meeting.

(5) A share option may be exercised within a period to be determined by the Board and no option may be exercised 10 years after the date of grant.

(6) Assuming all the conditions for exercise of the share options are fulfilled in accordance with the Share Option Scheme, the proportion of one-fifth (20%) of the share options may be exercised after the 12 months, 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

(7) The Share Option Scheme does not specify any consideration which is payable on the acceptance of a share option.

(8) The exercise price shall be equal to the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive trading days immediately preceding the date of grant; or (iii) the nominal value of the Shares.

(9) The Share Option Scheme will remain in force for a period of five(5) years commencing from 17 August 2018.

The following table sets out the movements in the share options during the Year 2020:

Share option holders	Date of grant	No. of share options Outstanding as at 2020/01/01	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 2020/12/31	Vesting period	Exercise price HK$	Exercise period
Director										
Ms. Du Wei	2018/12/14	2,678,560	–	–	(669,640)	–	2,008,920	2020/12/14 – 2023/12/13 [3]	2.56	2021/12/13 – 2028/12/13
Other employees	2018/12/14	48,392,960	–	–	(9,955,380)	(8,571,440)	29,866,140	2020/12/14 – 2023/12/13 [3]	2.56	2021/12/13 – 2028/12/13
Total		**51,071,520**	**–**	**–**	**(10,625,020)[1]**	**(8,571,440)[2]**	**31,875,060**			

Notes:

(1) A total of 10,625,020 share options were cancelled according to the terms of the Share Option Scheme during the Year 2020.

(2) A total of 8,571,440 share options lapsed according to the terms of the Share Option Scheme during the Year 2020.

(3) Assuming all the conditions for exercise of the share options granted on 14 December 2018 are fulfilled in accordance with the Share Option Scheme, the relevant share options shall be vested in five tranches within a period of 5 years, with each tranche covering one-fifth (20%) of the relevant share options. The first 20% and the second 20% of the share options granted on 14 December 2018 can be exercised on 13 December 2019 and 13 December 2020 respectively. Due to failure of fulfillment of certain exercise conditions, the first tranche and second tranche share options were cancelled by the Company according to the terms of the Share Option Scheme on 13 December 2019 and 13 December 2020 respectively. In respect of the outstanding share options, each 20% of the total share options will become exercisable from 13 December in the years 2021, 2022 and 2023 respectively subject to satisfaction of exercise conditions set out in the Share Option Scheme.

Details of the Share Option Scheme were set out in the announcements of the Company dated 7 July 2018, 17 August 2018 and 14 December 2018 and the circular of the Company dated 30 July 2018 respectively.

SHARE AWARD SCHEME

The share award scheme was adopted by the Board on 7 July 2018 (the "**Share Award Scheme**") to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents.

The Share Award Scheme shall be valid for a term of 5 years commencing on the date of adoption. Pursuant to the Share Award Scheme, Shares will be acquired by the independent trustee at the cost of the Company and be held on trust for the selected grantees until the fulfillment of vesting conditions subject to the rules of the Share Award Scheme. Upon payment of consideration of the award shares are made, 60% and 40% of the award shares will be transferred to the selected grantees following the Company's instruction since the date falling the 24^{th} and 36^{th} month from the date of grant respectively. The total number of award shares granted or to be granted under the Share Award Scheme shall not in aggregate exceed 986,453,086 Shares, being 5% of the Company's total issued share capital as at the date of adoption. The grant of award shares is also subject to the HK$350 Million Limit. Eligible participants include the official full-time employees who have passed the probation and rank a level of senior manager (高級經理) and above, as well as other employees of the Group selected by the Board or the Shareholders at general meeting. The Board may from time to time at its absolute discretion select any eligible participants for participation in the Share Award Scheme as selected grantees and determine the number of award shares to be granted. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 7 July 2018.

Since the date of adoption and up to 31 December 2020, a total of 17,521,400 award shares have been purchased by the trustee under the Share Award Scheme (the "**Purchased Award Shares**"), and all the award shares were awarded to the selected participants. Among the 17,521,400 award shares, 221,200 award shares lapsed during the year 2018 while the remaining 17,300,200 award shares lapsed during the year 2019 according to the terms of the Share Award Scheme. During the Year 2020, the Company did not instruct the trustee to purchase any Shares for future award purpose or grant any award shares to any eligible participants pursuant to the terms and conditions of the Share Award Scheme. The Company intends to hold the 17,521,400 Purchased Award Shares on trust and utilise for future award purpose pursuant to the terms and conditions of the Share Award Scheme.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2020, the Group's largest customer and five largest customers accounted for approximately 14.6% and 48.2% of the total sales for the year respectively.

During the Year 2020, the Group's largest supplier and five largest suppliers accounted for approximately 7.9% and 32.5% of the total purchases for the year respectively.

During the Year 2020, none of the Directors or any of their respective close associates nor any Shareholders which to the knowledge of the Directors own more than 5% of the total number of issued shares of the Company had any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the Year 2020 and up to the date of this report were:

Executive Directors:
Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen

Independent Non-Executive Directors:
Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

In accordance with the provisions of the Articles of Association, Ms. Du Wei and Mr. Chow Siu Lui shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) were 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**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), were as follows:

(i) Long positions in the Shares or underlying Shares

Name of Director	Nature of interests	Number of issued Shares held/ underlying Shares held under equity derivatives	Approximate percentage of the total issued share capital of the Company(3)
Mr. Ji Changqun ("**Mr. Ji**")	Beneficial owner and interest in controlled corporation(1)	8,534,292,954(1)	43.31%
Ms. Du Wei	Beneficial owner	2,008,920(2)	0.01%

Notes:

(1) As at 31 December 2020, 909,510,000 Shares are held by Mr. Ji directly as the beneficial owner. In addition, by virtue of the SFO, Mr. Ji is deemed to be interested in 7,624,782,954 Shares held by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands (the "**BVI**") which is wholly-owned by Mr. Ji. Accordingly, Mr. Ji is interested in 8,534,292,954 Shares in total.

(2) These interests represented 2,008,920 share options granted to Ms. Du Wei which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" of this report.

(3) The percentage has been calculated based on 19,705,391,731 Shares in issue as at 31 December 2020.

(ii) Long positions in the shares of the Company's associated corporations

Magnolia Wealth

The table below sets out the interest of the Directors or chief executives of the Company in the ordinary share(s) of Magnolia Wealth, a holding company of the Company as at 31 December 2020:

Name of Director	Nature of interests	Number of issued ordinary share(s) held	Approximate percentage of the total issued share capital of Magnolia Wealth
Mr. Ji	Beneficial owner	1	100%

CHS

The table below sets out the interest of the Directors or chief executives of the Company in the ordinary share(s) of CHS (Stock Code: 658), which was owned as to approximately 73.91% by the Company and was an indirect non-wholly owned subsidiary of the Company as at 31 December 2020:

Name of Director	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the total issued share capital of CHS
Mr. Ji	Interest in controlled corporation(1)	1,226,467,693(1)	74.99%(2)

Notes:

(1) 1,226,467,693 ordinary shares of CHS comprise the following:

(i) 17,890,000 shares are directly held by Glorious Time Holdings Limited ("**Glorious Time**"), a company incorporated in the BVI which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 17,890,000 shares held by Glorious Time.

(ii) 1,208,577,693 shares are directly held by Five Seasons XVI Limited ("**Five Seasons XVI**"), which is incorporated in the BVI and a wholly-owned subsidiary of the Company, which in turn is owned as to approximately 38.69% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 1,208,577,693 shares held by Five Seasons XVI.

(2) This percentage has been calculated based on 1,635,291,556 shares of CHS in issue as at 31 December 2020.

Hin Sang Group (International) Holding Co. Ltd. ("Hin Sang Group")

The table below sets out the interest of the Directors or chief executives of the Company in the ordinary share(s) of Hin Sang Group (Stock Code: 6893), which was owned as to approximately 22.90% by the Company and was an associated corporation of the Company as at 31 December 2020:

Name of Director	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the total issued share capital of Hin Sang Group
Mr. Ji	Interest in controlled corporation[(1)]	250,000,000[(1)]	22.90%[(2)]

Notes:

(1) 250,000,000 ordinary shares of Hin Sang Group are directly held by Viewforth Limited ("**Viewforth**"), which is incorporated in the BVI and a wholly-owned subsidiary of the Company, which in turn is owned as to approximately 38.69% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 250,000,000 shares held by Viewforth.

(2) This percentage has been calculated based on 1,091,796,000 shares of Hin Sang Group in issue as at 31 December 2020.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 or required to be recorded in the register 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 as at 31 December 2020.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year 2020 was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, save for the Share Option Scheme and Share Award Scheme as set out in the sections headed "Share Option Scheme" and "Share Award Scheme" of this report and any outstanding share options and award shares (if any) thereunder.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected and Continuing Connected Transactions" below and the related party transactions in note 55 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had, directly or indirectly, a material interest, subsisted at the end of the Year 2020 or at any time during the Year 2020.

MANAGEMENT CONTRACTS

No contract by which a person undertakes the management and administration of the whole or any substantial part of any business of the Company (except for service contracts of Directors or any person engaged in full-time employment of the Company) was entered into or subsisted during the Year 2020.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in note 55 to the consolidated financial statements also constituted connected transactions and/or continuing connected transactions under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules for the connected transaction and/or continuing connected transactions during the Year 2020. Details of the connected transactions and continuing connected transactions of the Group during the year which were required to be disclosed under Chapter 14A of the Listing Rules are set out below.

Connected Transaction

On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海釃福企業管理合夥企業(有限合夥)) (the "**Employee Partnership Enterprise**") entered into a capital increase agreement (the "**Capital Increase Agreement**") with Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) ("**Nanjing Gear**", being an indirect wholly-owned subsidiary of CHS, which in turn is an indirect non-wholly owned subsidiary of the Company) and Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司) ("**Nanjing High Speed**", a direct wholly-owned subsidiary of Nanjing Gear as at the date of Capital Increase Agreement), pursuant to which the Employee Partnership Enterprise agreed to make the capital contribution in an aggregate amount of RMB150,000,000 in cash to the registered capital of Nanjing High Speed (the "**Capital Increase**"). Immediately upon completion of the Capital Increase, the Employee Partnership Enterprise owns as to approximately 6.98% of the equity interest in Nanjing High Speed, while the equity interest of Nanjing Gear in Nanjing High Speed was reduced from 100% to approximately 93.02%. The Capital Increase was completed on 24 December 2020.

The purpose and objectives of the Capital Increase are to recognise the contribution by the designated employees of CHS and its subsidiaries (the "**CHS Group**") and to provide them with incentives in order to align their interests with the CHS Group and to retain them for the continual operation and development of the CHS Group.

As at the date of the Capital Increase Agreement, the Employee Partnership Enterprise is a limited partnership managed and controlled by the general partner, being Shanghai Shiji Enterprise Management Consultancy Co., Ltd.* (上海釃吉企業管理諮詢有限公司) ("**Shanghai Shiji**"). Mr. Hu Yueming is the sole director and sole shareholder of Shanghai Shiji. Mr. Hu Yueming is an executive director of CHS and thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. The Employee Partnership Enterprise is an associate of Mr. Hu Yueming and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Capital Increase Agreement constituted a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

Details of the Capital Increase were set out in the joint announcement of the Company and CHS dated 4 December 2020 and the announcement and circular of CHS dated 23 December 2020 and 24 December 2020, respectively.

Continuing Connected Transactions

1. On 27 May 2015, the Company (as service provider) entered into a service agreement with each of Fullshare Group Pte. Ltd.* (豐盛集團私人有限公司) ("**Fullshare Singapore**", together with its subsidiaries as "**Fullshare Singapore Group**") (the "**Fullshare Singapore Service Agreement**"), Fullshare International (Australia) Pty. Ltd. ("**Fullshare Australia**") (the "**Fullshare Australia Service Agreement**"), Fullshare International (Australia) Cairns Pty. Ltd. ("**Fullshare Cairns**") (the "**Fullshare Cairns Service Agreement**"), Fullshare Industrial Holding Group (Australia) Cairns Pty Ltd ATF Fullshare Industrial Holding Group (Australia) Cairns Unit Trust ("**Fullshare CUT**") (the "**Fullshare CUT Service Agreement**"), Nanjing Construction Group (Australia) Whisper Bay Pty Ltd ATF Nanjing Construction Group (Australia) Unit Trust ("**NCGA**", together with its subsidiaries as "**NCGA Group**") (the "**NCGA Service Agreement**") and Nanjing Construction Group (Australia) Investment Management Pty Ltd ATF Nanjing Construction Group (Australia) Investment Management Unit Trust ("**NCGA Investment**") (the "**NCGA Investment Service Agreement**") (Fullshare Singapore, Fullshare Australia, Fullshare Cairns, Fullshare CUT, NCGA and NCGA Investment are collectively referred to as the "**Overseas Private Group**"), to regulate and provide the framework for the provision of the operation, administration and management services to be provided by the Group to the Overseas Private Group. The Fullshare Australia Service Agreement, NCGA Investment Service Agreement, Fullshare Cairns Service Agreement and Fullshare CUT Service Agreement were terminated in 2016. The Fullshare Singapore Service Agreement and NCGA Service Agreement were renewed on 12 December 2017 (collectively the "**Existing Service Agreements**") respectively for the purpose of maintaining the strategic business relationships with Fullshare Singapore Group and the NCGA Group to allow the realization of synergies and economies of scale and continuously bring sustainable contributions to the Group's profitability in the long run. The Existing Service Agreements have expired on 31 December 2020. The relevant parties to each of the Fullshare Singapore Service Agreement and NCGA Service Agreement entered into a renewal agreement on 18 December 2020 for an extension of the term to 31 December 2023 (collectively the "**Renewal Service Agreements**").

   The annual caps for the continuing connected transactions contemplated under the Existing Service Agreements for the financial years ended 31 December 2018, 2019 and 2020 are set out as follows:

	For the year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	RMB'000	RMB'000
Fullshare Singapore Service Agreement	10,212	10,212	10,212
NCGA Service Agreement	2,940	2,940	2,940

   The actual amounts of the transactions under the Existing Service Agreements incurred for the year ended 31 December 2020 are listed below:

	For the year ended 31 December 2020 RMB'000
Fullshare Singapore Service Agreement	534
NCGA Service Agreement	331

The annual caps for the continuing connected transactions contemplated under the Renewal Service Agreements for the financial years ending 31 December 2021, 2022 and 2023 are set out as follows:

	For the year ending 31 December		
	2021	**2022**	**2023**
	RMB'000	RMB'000	RMB'000
Fullshare Singapore Service Agreement	1,250	1,250	1,250
NCGA Service Agreement	2,000	2,000	2,000

Mr. Ji is the chairman of the Board, the chief executive officer, an executive Director and a controlling shareholder of the Company, therefore Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules.

Mr. Ji directly holds the entire equity interest in Fullshare Singapore. Therefore, Fullshare Singapore is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules.

NCGA is a wholly-owned subsidiary of Nanjing Jiangong Group Co., Limited* (南京建工集團有限公司) ("**Nanjing Jiangong**"). Nanjing Jiangong is a non-wholly owned subsidiary of Nanjing Jiangong Industrial Group Co., Ltd.* (南京建工產業集團有限公司) ("**Nanjing Jiangong Industrial**"). Mr. Ji Changrong (the younger brother of Mr. Ji) directly and indirectly held over 50% voting rights in Nanjing Jiangong Industrial. Each of Nanjing Jiangong and Nanjing Jiangong Industrial is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules. Therefore, NCGA is also an associate of Mr. Ji thus a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under each of the Existing Service Agreements and Renewal Service Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the abovementioned continuing connected transactions were disclosed in the announcements of the Company dated 27 May 2015, 21 April 2016, 4 July 2016, 25 May 2017, 24 August 2017, 12 December 2017 and 18 December 2020 respectively.

2. The Company entered into a master agreement with Nanjing Jiangong Industrial on 17 August 2015, which has been subsequently renewed on 22 December 2017 for a term of 3 years to 31 December 2020 (the "**Renewal Master Agreement**"), pursuant to which the Company has agreed to provide, or procure its subsidiaries to provide, the green building services focusing on the technical design and consultant services and green management and services to Nanjing Jiangong Industrial, for the purpose of realization of synergies and economies of scale and continuously bringing contribution to the Group's profitability in the long run. The Renewal Master Agreement has expired on 31 December 2020.

The annual caps for the continuing connected transactions contemplated under the Renewal Master Agreement for the financial years ended 31 December 2018, 2019 and 2020 are set out as follows:

	For the year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	RMB'000	RMB'000
Technical design and consultant services	120,000	120,000	120,000
Green management and services	80,000	80,000	80,000
Total	200,000	200,000	200,000

The actual amounts of the transactions under the Renewal Master Agreement incurred for the year ended 31 December 2020 are listed below:

	For the year ended 31 December 2020 RMB'000
Technical design and consultant services	–
Green management and services	–
Total	–

Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules. Nanjing Jiangong Industrial is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Renewal Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the abovementioned continuing connected transactions were disclosed in the announcements of the Company dated 17 August 2015 and 22 December 2017, and the circular of the Company dated 13 October 2015 respectively.

Opinion from the independent non-executive Directors and auditor on the continuing connected transactions:

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions in relation to each of the Existing Service Agreements and Renewal Master Agreement (collectively the "**Continuing Connected Transactions**") and confirmed that the Continuing Connected Transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Group were engaged to perform a review in respect of the Continuing Connected Transactions of the Group during the Year 2020 and confirmed that these transactions: (i) were approved by the Board; (ii) where applicable, in all material respects, were in accordance with the pricing policies of the Company; (iii) were entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the caps stated in the relevant announcements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executives of the Company, as at 31 December 2020, the following persons (other than a Director or chief executive of the Company) 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 as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interests	Number of issued Shares held[6]		Approximate percentage of the total issued share capital of the Company[7]
Magnolia Wealth	Beneficial owner [1]	7,624,782,954	(L)	38.69%
Superb Colour Limited ("**Superb Colour**")	Beneficial owner [2]	967,178,496 982,442,195	(L) (S)	4.91% 4.99%
	Interest of controlled corporation [2]	715,263,699	(L)	3.63%
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) ("**Huarong Huaqiao**")	Interest of controlled corporation [2]	1,682,442,195 982,442,195	(L) (S)	8.54% 4.99%
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ("**China Huarong Asset**")	Interest of controlled corporation [2]	1,682,442,195 982,442,195	(L) (S)	8.54% 4.99%

Name of Shareholder	Nature of interests	Number of issued Shares held[6]		Approximate percentage of the total issued share capital of the Company[7]
China Citic Bank Corporation Limited (中信銀行股份有限公司)	Person having a security interest in shares [3]	4,902,000,000	(L)	24.88%
China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司)	Person having a security interest in shares [4]	1,520,000,000	(L)	7.71%
World Investments Limited (“**World Investments**”)	Agent [5]	1,175,222,500	(L)	5.96%
Goldway Financial Corp. (“**Goldway**”)	Interest of controlled corporation [5]	1,175,222,500	(L)	5.96%
Bank of China Group Investment Limited (中銀集團投資有限公司) (“**BOC Group Investment**”)	Interest of controlled corporation [5]	1,175,222,500	(L)	5.96%
Bank of China Limited (中國銀行股份有限公司) (“**BOC**”)	Beneficial owner [5]	1,175,222,500	(L)	5.96%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司) (“**Central Huijin**”)	Interest of controlled corporation [5]	1,175,222,500	(L)	5.96%

Notes:

1. The entire issued share capital of Magnolia Wealth is beneficially owned by Mr. Ji.

2. References were made to the disclosures of interests made by Huarong Huaqiao and China Huarong Asset on the Stock Exchange’s website on 5 March 2020 respectively. Superb Colour has long position in 1,682,442,195 Shares (directly interested in 967,178,496 Shares and indirectly interested in 715,263,699 Shares through a 100% controlled corporation, namely Shanghai Asset Management LP) and short position in 982,442,195 Shares.

   Superb Colour is a company incorporated in the BVI which is a wholly-owned subsidiary of Pure Virtue Enterprises Limited (“**Pure Virtue**”). Pure Virtue is a company incorporated in the BVI which is wholly-owned by China Huarong Overseas Investment Holdings Co., Limited (“**China Huarong Overseas**”). China Huarong Overseas is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Huarong Huaqiao. Therefore, Huarong Huaqiao is deemed to be interested in the said Shares held by Superb Colour under the SFO.

   Huarong Huaqiao is a company incorporated in the PRC and is beneficially owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd. (“**Huarong Zhiyuan**”). Huarong Zhiyuan is wholly-owned by China Huarong Asset. As such, China Huarong Asset is deemed to be interested in the said Shares held by Superb Colour under the SFO.

3. China Citic Bank Corporation Limited (中信銀行股份有限公司) held 4,902,000,000 Shares as holder of security interest.

4. China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) held 1,520,000,000 Shares as holder of security interest.

5. References were made to disclosures of interests made by World Investments, Goldway, BOC Group Investment, BOC and Central Huijin respectively on the Stock Exchange's website on 2 January 2020. BOC has long position in 1,175,222,500 Shares. BOC, a company incorporated in China, is beneficially owned as to 64.02% by Central Huijin. Therefore, Central Huijin is deemed to be interested in the said 1,175,222,500 Shares under the SFO.

   World Investments, in the capacity of an agent acting on behalf of BOC, is deemed to be interested in 1,175,222,500 Shares held by BOC under the SFO. World Investments is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Goldway. Goldway is a company incorporated in the BVI which is wholly-owned by BOC Group Investment. As such, each of Goldway and BOC Group Investment is also deemed to be interested in the said 1,175,222,500 Shares under the SFO.

6. The letter "L" denotes long position in the Shares; and the letter "S" denotes short position in the Shares.

7. The percentage has been calculated based on 19,705,391,731 Shares in issue as at 31 December 2020.

Save as disclosed above, the Company has not been notified of any other person (other than Directors or chief executives of the Company) who had any 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 as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2020.

COMPETING BUSINESS

As disclosed in the circular of the Company dated 28 October 2013 relating to, amongst other things, the very substantial acquisition in relation to the acquisition of 南京豐盛資產管理有限公司 (Nanjing Fullshare Asset Management Limited*), a limited liability company incorporated in the PRC on 19 July 2002, which is currently wholly owned by the Company and reverse takeover involving a new listing application (the "**RTO Circular**"), pursuant to the non-competition undertaking dated 25 October 2013 entered into between the Controlling Shareholders (as defined in the RTO Circular) and the Company (the "**Non-Competition Undertaking**"), save for continuing their engagements in the Excluded Projects (as defined in the RTO Circular) and certain exceptions relating to their holding of and/or being interested in shares and other securities in any member of the Group and any other company listed on a recognised stock exchange engaging in the restricted business (please refer to the RTO Circular for details) set out in the Non-Competition Undertaking, the Controlling Shareholders will not be allowed to engage in any residential property (including villas) and mixed-use property (as defined in the section headed "Glossary of Technical Terms" of the RTO Circular) development business in the PRC (the "**Restricted Business**"), and they will only be involved in the commercial property development business. As at 31 December 2020, the Controlling Shareholders and any of their respective associates (other than the members of the Group) did not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with the Restricted Business. Save for the Non-Competition Undertaking, as at 31 December 2020, the Controlling Shareholders did not give any other non-competition undertaking to the Company.

The Company has received the written declarations on their compliance with the undertaking under the Non-Competition Undertaking from Mr. Ji and Magnolia Wealth for the Year 2020. Based on the declarations received from Mr. Ji and Magnolia Wealth and after review, the independent non-executive Directors considered that Mr. Ji and Magnolia Wealth had complied with the terms set out in the Non-Competition Undertaking in the Year 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors had an interest in the business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 24 November 2020, the Company through its wholly owned subsidiary completed the acquisition of 80% equity interest in Tianjin Heheng Investment Development Co., Ltd.* (天津合恒投資發展有限公司) ("**Tianjin Heheng**") (the "**Acquisition**"). Upon completion of the Acquisition, Tianjin Heheng has become a subsidiary of the Company.

A loan was provided by an asset management company (the "**Lender**") to Tianjin Heheng in an aggregate principal amount of RMB573,300,000 for project development and construction and as general working capital (the "**Loan**"). Upon completion of the Acquisition, the Loan became a Loan extended to the Group. The Loan is secured by a pledge of 1,520,000,000 ordinary shares of HK$0.01 each in the issued share capital of the Company (the "**Pledged Shares**") created by Magnolia Wealth which is the controlling shareholder (as defined under the Listing Rules) of the Company, in favour of the Lender. As at the date of this report, (i) Magnolia Wealth held 7,624,782,954 shares of the Company, representing approximately 38.69% of the issued share capital of the Company; and (ii) the Pledged Shares represent approximately 7.71% of the issued share capital of the Company.

BUSINESS REVIEW

Overview

The overview is set out in the "Management Discussion and Analysis" on pages 10 to 25 of this annual report.

Financial key performance indicators

During the Year 2020, the Group has recognised an increase in revenue (being one of the financial key performance indicators) of approximately RMB5,008,274,000 or 45% to approximately RMB16,171,377,000 (2019: RMB11,163,103,000). As the major contribution of revenue, the new energy segment has contributed approximately RMB15,368,511,000 or 95% to the Group's revenue in the Year 2020 (2019: RMB9,869,788,000). In addition, properties segment has contributed approximately RMB261,754,000 or 2% to the total revenue of the Group in the Year 2020 (2019: RMB525,904,000). The revenue generated from tourism was approximately RMB114,385,000 or 1% of the Group's revenue in the Year 2020 (2019: RMB371,624,000). The revenue generated from healthcare, education and others was approximately RMB407,585,000 or 2% of the Group's revenue in the Year 2020 (2019: RMB350,514,000).

The net loss of the Group in the Year 2020 was approximately RMB698,280,000 while the net loss was approximately RMB2,844,118,000 in year 2019. The net loss in the Year 2020 was mainly due to the net impairment losses recognised on financial assets and financial guarantee contracts of RMB1,077,850,000 (2019: RMB510,068,000).

The Group's financial position remained solid. The net assets of the Group decreased by RMB70,841,000 or 0.3% from approximately RMB20,867,821,000 in year 2019 to approximately RMB20,796,980,000 in the Year 2020. The Group generated an operating cash inflow of approximately RMB867,211,000 in the Year 2020 (2019: RMB2,363,528,000).

Revenue, net profit/loss, net assets and operating cash flow are selected by the Group as the indicators of assessment on the profitability and solvency of the Group. The analysis of these indicators can comprehensively summarise and evaluate the financial conditions and operating achievements of the Group.

Future Development

The future development is set out in the section headed "Prospect" under "Management Discussion and Analysis" on page 18 of this annual report.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is convinced that good corporate risk management is of particular importance to its sustainable development, corporate reputation and shareholder value. The Group is committed to maintaining a high standard of management based on the principles of integrity, transparency, accountability and independence, as well as conducting irregular risk assessments and preventive measures for sustainable future development. The Group's risk management committee and risk management working group earnestly perform their duties, carry out risk management and control from such dimensions as strategic development, investment decision-making, enterprise operation and capital planning, pay attention to potential risks, and formulate risk management plans. The principal risks of the Group are summarized and managed as follows.

Macro-economic environment

At present, the Group operates real estate, holds financial assets mainly for investment and develops healthcare tourism business in China. Changes in the economic environment may lead to adverse risks in the business environment. In recent years, the Chinese government has continuously adjusted and implemented the policy of restricting the purchase and loan of real estate, adjusted the interest rate of real estate loans, tightened real estate credit, etc., standardizing the asset management business in the financial market, but meanwhile has inhibited the development of real estates for investment.

Management's response: At present, the Group's real estate business is mainly engaged in commercial properties, and the policy adjustment is mainly aimed at the residential properties, which has relatively little impact on the Group. Due to the impact of global COVID-19 pandemic, the atmosphere for investment is weakening and investors tend to be cautious in the market. However, in order to reduce the impact of the pandemic on the real estate industry, since February 2020, local governments have adhered to the positioning that "housing is for living in, not for speculation", but at the same time, they have adopted more flexible policies according to the situation of each city, and concentrated on introducing policies to support real estate in many places. The Group will also continue paying attention to the policy direction in the fields of real estate and finance, improve asset management and take financing methods flexibly. It will adjust its investment portfolios according to the actual market conditions through clear risk management policies and sound investment strategies, so as to further enhance its profitability.

Market competition

China's real estate market is seeing fierce competition, in the fields including but not limited to flow, service, quality, design, branding, cost control and environmental support. If competitors of the Group continue improving their products, it may have a negative impact on the overall profitability of the Group.

Management's response: In cooperation with Hyatt Group, the Group has built the Grand Wuji Hotel – the Unbound Collection by Hyatt, providing customers with high quality and differentiated services, for the purpose of enhancing the brand awareness and thus improving the premium ability. The Group expects to continuously improve the quality of its products and services, and effectively expand the market demand for its products and services at the current stage of industry integration, through accurate positioning and effective risk control.

Investment concentration risk

In terms of investment sector, the Group mainly holds shares of several Hong Kong listed companies, with a value of about RMB369 million, accounting for nearly 2% of the Group's net assets. Therefore, stock price changes may have a certain impact on the overall profitability of the investment sector as well as the Group.

Management's response: The Group has monitored the change in share price of listed securities the Company held, and has gradually sold the underperforming stocks in the market, and adjusted the proportion of the investment portfolios to reduce the risk of investment.

Changes in exchange rate

At present, the Group takes RMB as its operating currency, but its financial assets are mainly held in Hong Kong dollars, so the asset prices will be affected by changes in exchange rate.

Management's response: The Group will continue tracking changes in national monetary policies and the global economy, and pay close attention to hedging tools of exchange rate risk, so as to reduce the impact of changes in exchange rate on the Group.

Impact of global COVID-19 pandemic

In Year 2020, the COVID-19 pandemic imposed impact on the businesses of the Group, especially the hotel business and education business in Australia and commercial projects. During Year 2020, the revenue of hotels in Australia and the average revenue of each education centre in Australia were RMB83,499,000 and RMB6,859,000 respectively, decreasing by about RMB98,225,000 and RMB1,957,000, and by about 54% and 22% compared to the same period in 2019.

Management's response: The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. In response to the COVID-19 pandemic, the local governments introduced a number of measures to support business and community.

Hotel business

Following the outbreak of coronavirus disease, the Group's hotel business in Australia was directly impacted by travel restrictions, along with restaurant and pool closures and some of the Country Club's facilities were suspended from March 2020 pursuant to the prevention measures implemented by the Australian government.

The Australian government's lockdown restrictions have caused a significant decrease in demand which has led to sizeable reduction in revenue from contracts with customers in 2020 for the hotel business segment.

During the periods of restriction, the Group stood down relevant food and beverage staff, chefs and stewards because of restrictions imposed on the operation of bars and restaurants. Staff were also encouraged to use annual and long service leave entitlements while being placed on leave without pay arrangements. Additionally, during the Year 2020, the Group applied for enrollment in and received cash subsidies from the Australian government's JobKeeper program. Save for benefiting from the local government's financial assistance, the Group has also reviewed its human resources and adjusted the allocation to mitigate the negative impact brought by the outbreak of COVID-19 pandemic.

In 2021, the Australian government has loosen domestic restrictions and allowed inter-state travel which will boost domestic tourism demand and hence is conducive for the Group's hotel operations in Australia. It is expected that the performance in the hotel business segment will be improved in year 2021 as compared to the Year 2020.

The Management will constantly monitor and evaluate the potential implications of coronavirus, which may include ongoing closure of the Group's hotel and certain Country Club facilities and changes in customer demand in Australia. However, at this stage the financial impact of the coronavirus is not able to be estimated due to the general level of uncertainty.

Education business

Following the global spread of COVID-19, the Group immediately took steps to protect the interest of stakeholders of its education business in Australia, Europe, the United Kingdom and China, including customers, employees and shareholders. Although the outbreak of the unprecedented COVID-19 pandemic has made the operating environment extremely difficult in 2020, the Management has strived to take steps in response to the tough situation, including but not limited to: (i) through enhancement of cash preservation and reduction of fixed and variable costs, the Group was able to increase the liquidity to ensure that it had sufficient funds available to meet its obligations notwithstanding any reduction in revenue; and (ii) the Group has also proactively worked to operate within the new regulations and policies promulgated for the purpose of COVID-19 prevention, and adjusted its approach of delivery of education services (e.g. transfer from on-site service to on-line courses and web-based distance learning modules) to guarantee the interest of stakeholders. Despite the on-going restrictions to services due to the implementation of coronavirus controlling and prevention measures at times, the Group has accumulated experience in tackling such unfavorable situation, and will continue to monitor the changes amid the pandemic as well as shoulder the social responsibilities to combat the COVID-19 as an education service provider.

In the face of uncertainties and challenges in the operating environment, the Group will continue prudently managing the operating costs, adhere to the established strategy of properly managing established brands, while prudently investing in new opportunities where appropriate. The Group will continue paying attention to the possible impact of the pandemic and take corresponding measures to ensure the safe and stable operation and development of projects at home and abroad.

Key Relationships

(i) Employees

Human resources are regarded as irreplaceable capital of the Group, therefore the Group places great emphasis on the development and training of employees. The Group provides a relaxed work environment and enterprise atmosphere for its employees and builds a platform for them to achieve a success in career, thereby enable them to grow together with the Group. "Creating together with sharing" is the objective which the Company is always adhering to, and the Company has helped all its employees to achieve their value and ambitions.

The Company is committed to building a positive and healthy working environment, organising a variety of team activities. By integrating sports activities into various team activities, the Company is leading an active and healthy lifestyle, embodying fully the healthy concept of "Fullshare being belonging to us and health being belonging to oneself", and steadfastly become a practitioner of a healthy lifestyle. At the same time, the Group provides various training opportunities and a better development platform for its employees, motivates at the most its employees to achieve their self-value and provides a broad career stage and development room for all its employees.

In addition, the Group provides competitive remuneration and comprehensive welfare guarantee to its employees, giving monetary and spiritual reward, to those employees who have made outstanding contributions. The Group has also adopted the Share Option Scheme and the Share Award Scheme to recognise and motivate the contribution of the employees.

(ii) ***Suppliers***

We have established long-term cooperation relationship with a number of suppliers, and strived to ensure that they are in compliance with our undertaking on quality and ethics. We require the suppliers to observe our undertaking on integrity. We have stringent requirements in suppliers selection and that they must satisfy the qualification requirements in qualification, capital, performance, etc. and pass our evaluation at different levels before entering into our qualified suppliers list.

(iii) ***Customers***

Our diversified products target at different customer bases. From design to completion of ultimate products, we always consider the demand of our customers. No matter the emerging enterprises, parvenus who need social circles or consumers who focus on shopping experience, they can find strong resonance from our company products. Due to our marketing methods in focusing on the widespread and subdivided channels, we can access the most accurate population more easily. Through on-site exhibition, we enable each customer to clearly learn about the different complex we have brought, thereby achieving a win-win situation in sales.

Environmental Policies

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. Accordingly, our establishment and operations shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2020 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC and Hong Kong.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "**Remuneration Committee**") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors, chief executive officer and five highest paid individuals in the Group for the year ended 31 December 2020 are set out in notes 13 and 14 to the consolidated financial statements respectively.

DONATION

During the Year 2020, with the mission of "Building Together for Prosperity and Enjoyment", the Group has been dedicated to giving back to society and accumulated achievements over the years. The Group's efforts to support the community have been acknowledged over the years.

During the Year 2020, the Group made charitable donations of approximately RMB11,710,000.

Further details will be set out in the Environmental, Social and Governance Report (the "**ESG Report**") to be published separately.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Stock Exchange and the Company as close as possible to, and in any event no later than three months after, the publication of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme maintained by the Group are set out in notes 2 and 11 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the Year 2020 and as at the latest practicable date prior to the issue of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has provided Directors with directors' liability insurance coverage to protect them from loss as a result of relevant legal proceeding against the Directors. The relevant permitted indemnity provision and the directors' liability insurance have been in force throughout the Year 2020 and as at the date of this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group that have occurred since the end of the Year 2020 are set out in note 57 to the consolidated financial statements.

AUDITOR

At the extraordinary general meeting of the Company held on 2 January 2019, Ernst & Young was removed as auditor of the Group and PricewaterhouseCoopers ("**PwC**") was appointed as auditor of the Group.

On 10 December 2019, PwC resigned as auditor of the Company and Baker Tilly Hong Kong Limited ("**Baker Tilly**") was appointed as auditor of the Company at the extraordinary general meeting of the Company held on 7 January 2020.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Baker Tilly, who shall retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of Baker Tilly as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Ji Changqun
Chairman

Hong Kong, 31 March 2021

* *For identification purpose only*

Independent Auditor's Report

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天職國際

To the Shareholders of Fullshare Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fullshare Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 205, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Impairment assessment on goodwill

Refer to Note 5(ii)(a) (Significant accounting judgements and estimates – Impairment of goodwill) and Note 21 (Goodwill) to the consolidated financial statements.

As at 31 December 2020, the Group's goodwill carried at cost of approximately RMB2,185 million, with accumulated impairment of approximately RMB272 million. Management is required to assess goodwill impairment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired.

Management monitored the goodwill and compared the recoverable amount with the carrying amount of the relevant CGU as at 31 December 2020. The recoverable amount of CGU is determined by using value-in-use calculations based on future discounted cash flows.

Significant judgements and estimates were made by management in the assessment about future business performance. The key assumptions adopted in the value-in-use calculations include revenue growth rate, operating margin and discount rate.

We, therefore, consider impairment assessment on goodwill was an area of audit focus.

How our audit addressed the Key Audit Matter

We understood and tested the processes and key controls of the Group over the assessment on the goodwill impairment;

We obtained the relevant CGU's cash flow forecasts prepared by management for goodwill impairment and assessed the historical accuracy of management's forecasts by comparing the current year actual cash flows with the prior year cash flow forecasts;

We involved our valuation specialists to assess the valuation approaches and methodologies adopted in the evaluation of goodwill impairment by reference to industry practice;

We considered management's estimation and challenged the appropriateness of key assumptions (such as revenue growth rate, operating margin and discount rate) adopted in the value-in-use calculations by:

- Comparing the revenue growth rate used in the five-year forecast period with the approved budget and market development of the relevant business and industry;

- Comparing the operating margin with the Group's past performance, taking into consideration of market trends; and

- Assessing the discount rate by considering weighted average cost of capital for the individual CGU and comparable companies in the open market, as well as considering territory specific factors, such as risk-free interest rate and debt ratio prevailing in relevant market.

We evaluated management's assessment of the sensitivity of the Group's impairment model against reasonably possible changes around the key assumptions.

Based on the procedures above, we consider the judgements and estimates made by management in respect of impairment assessment on goodwill were supported by available evidences.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter

Fair value measurement of financial instruments with significant inputs not based on observable market data (level 3)

Key Audit Matter

Refer to Note 4 (Fair value estimation), Note 5(ii)(e) (Significant accounting judgements and estimates – Impairment of financial assets), Note 26 (Financial assets at fair value through profit or loss), Note 27 (Financial assets at fair value through other comprehensive income) and Note 29 (Derivative financial instruments) to the consolidated financial statements.

As at 31 December 2020, the balances of the Group's financial assets measured at fair value through profit or loss and at fair value through other comprehensive income with significant unobservable inputs amounted to approximately RMB7,608 million, and the balances of derivative financial liability amounted to approximately RMB43 million.

These unlisted financial instruments were valued with inputs not based on active market prices nor observable market data and were categorised as level 3 in the fair value hierarchy.

The fair values of level 3 financial instruments were determined through the application of valuation techniques. With assistance from external valuers, management has exercised significant judgements and estimates in identifying the appropriate valuation models and inputs including but not limited to revenue growth rate, operating margin, discount rate, liquidity discounts, earnings multiples and recent transaction prices. We have therefore focused on this area.

How our audit addressed the Key Audit Matter

We understood and tested management's procedures and key controls over the measurement of fair values in level 3 financial instruments;

We evaluated the competence, independence, capabilities and objectivity of the Group's external valuers;

We re-performed valuations on a sample basis to evaluate the valuation models and key inputs adopted by the Group including:

- Examining the contractual agreements and checking the calculation made by management and obtaining the investment confirmation to verify the existence and accuracy of each level 3 financial instruments;

- Comparing the revenue growth rate and operating margin to the forecast of future profits and historical data;

- Assessing the reasonableness of the discount rate by comparing cost of capital of comparable companies in the open market; and

- Evaluating the liquidity discounts, earnings multiples and recent transaction prices used by comparing with similar types of companies.

Based on the procedures above, we consider the judgements and estimates applied by management in measuring the fair values of level 3 financial instruments with significant unobservable inputs were supported by available evidences.

Key Audit Matter

Recoverability of trade receivables at amortised cost

Refer to Note 3(iv) (Financial risk management – Credit risk), Note 5(ii)(c) (Significant accounting judgements and estimates – Impairment of financial assets) and Note 31 (Trade receivables) to the consolidated financial statements.

As at 31 December 2020, the Group had approximately RMB3,756 million trade receivables and loss allowance of approximately RMB595 million has been provided.

Management applied significant judgements in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowances. Expected credit losses are also estimated by grouping the remaining receivables based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category. The expected credit loss rates are determined based on historical credit losses experienced from the past 48 months and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

We focused on this area because significant management judgements and estimates are applied in determining loss allowance of such balances.

How our audit addressed the Key Audit Matter

We understood and tested key controls on a sample basis over management's policies, processes and controls over assessment on recoverability of trade receivables balance and determination of loss allowances;

We assessed the appropriateness of the credit loss provisioning methodology used by the Group;

For trade receivables assessed individually, we obtained management's assessment on the collectability (both amount and timing) of receivables balances. We corroborated against available evidences, include interviewing sales personnel, examining the correspondences with the relevant customers and inquiring the Group's internal legal counsel as to whether there are any of disputes with customers;

We challenged the assumptions used to determine the expected credit losses by considering cash collection performance against historical trends and current and forward-looking information such as the impact of macroeconomic factors on probability of default and loss given default based on our understanding of the industry and with reference to external data source; and

We tested on a sample basis, the accuracy of management's ageing report of trade receivables by checking to sales invoices and other supporting documents.

Based on the procedures above, we consider the judgements and estimates applied by management in respect of the assessment of loss allowances of trade receivables were supportable by available evidences.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of loan receivables	
Refer to Note 3(iv) (Financial risk management – Credit risk), Note 5(ii)(c) (Significant accounting judgements and estimates – Impairment of financial assets) and Note 28(i) (Loan receivables) to the consolidated financial statements. As at 31 December 2020, the Group had approximately RMB3,197 million loan receivables and loss allowances of approximately RMB1,538 million has been provided. Management assessed the loss allowances of loans receivables based on the expected credit loss model. The expected credit loss model involves significant management judgements and assumptions regarding the probability of default, loss given default, historical delinquency ratio of loans and interest, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the expected credit loss model, if applicable. We focused on this area because significant management judgements and estimates are applied in determining the loss allowances of such balances.	We assessed management's assessment of provision for loss allowances of loans receivables by performing the following procedures: • Understood, evaluated and validated the design and operating effectiveness of the controls over loss allowances assessment of loans receivables, which relates to management's judgements and assumptions including significant increase in credit risk, criteria of defaults and forward-looking information; • Carried out procedures, on a sample basis, to test the existence and accuracy of the aging of loans receivables applied in the expected credit loss model and as at the end of the reporting period; • Involved a valuation expert to review the valuation methodology and approach adopted by management in the expected credit loss model; • Evaluated the appropriateness of the key assumptions, such as delinquency ratio and collateral values used in the expected credit loss model with reference to the historical data and market economic data; and • Re-performed management's calculation of collective loss allowances assessment which grouped together all the receivables with similar risk characteristics based on the probability of default, exposure at default, loss given default, forward-looking information and other significant factors taken into account in estimating the loss allowance. Based on the procedures above, we consider the judgments and estimates applied by management in the assessment of loss allowances of loans receivables were supportable by available evidences.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong,
Gao Yajun
Practising certificate number P06391

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	6,7(i)	**16,171,377**	11,163,103
Cost of sales and services	11	**(12,736,401)**	(8,858,077)
Gross profit		**3,434,976**	2,305,026
Selling and distribution expenses	11	**(473,300)**	(504,746)
Administrative expenses	11	**(942,450)**	(918,625)
Research and development costs	11	**(517,749)**	(404,238)
Share-based payment expenses	11	**(547,674)**	–
Net impairment losses on financial assets and financial guarantee contracts	3(iv)	**(1,077,850)**	(510,068)
Other income	9	**461,894**	673,640
Net fair value changes in financial instruments	8	**56,152**	(2,824,876)
Other losses – net	10	**(65,846)**	(26,436)
Operating profit/(loss)		**328,153**	(2,210,323)
Finance costs	12	**(605,003)**	(827,352)
Share of results of joint ventures	23	**6,513**	(252,047)
Share of results of associates	24	**(27,095)**	76,046
Loss before tax		**(297,432)**	(3,213,676)
Income tax (expenses)/credit	15	**(400,848)**	369,558
Loss for the year		**(698,280)**	(2,844,118)
Other comprehensive income/(loss) for the year:			
Items that may be reclassified to profit or loss:			
– Exchange differences on translation of foreign operations		**(5,249)**	(43,219)
– Changes in fair value of debt instruments at fair value through other comprehensive income		**5,161**	(9,005)
– Share of other comprehensive income/(loss) of associates		**1,839**	(50,392)
– Income tax relating to these items		**(3,661)**	1,724
Items that will not be reclassified to profit or loss:			
– Changes in fair value of equity instruments at fair value through other comprehensive income		**144,214**	49,477
– Income tax relating to these items		**(42,082)**	(43,701)
Other comprehensive income/(loss) for the year, net of tax		**100,222**	(95,116)
Total comprehensive loss for the year		**(598,058)**	(2,939,234)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year attributable to:			
– Equity shareholders of the Company		**(894,305)**	(2,874,192)
– Non-controlling interests		**196,025**	30,074
		(698,280)	(2,844,118)
Total comprehensive (loss)/income for the year attributable to:			
– Equity shareholders of the Company		**(831,658)**	(2,994,493)
– Non-controlling interests		**233,600**	55,259
		(598,058)	(2,939,234)
Loss per share attributable to equity shareholders of the Company			
Basic loss per share	17	**RMB(0.045)**	RMB(0.146)
Diluted loss per share	17	**RMB(0.045)**	RMB(0.146)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	18	**5,535,884**	5,726,220
Investment properties	19	**4,958,399**	4,019,290
Right-of-use assets	20(a)	**1,397,256**	1,667,466
Goodwill	21	**1,913,158**	2,089,430
Other intangible assets	22	**430,014**	505,564
Investments in joint ventures	23	**398,865**	387,025
Investments in associates	24	**1,707,076**	1,724,784
Financial assets at fair value through other comprehensive income	27	**3,066,069**	3,443,298
Financial assets at fair value through profit or loss	26	**380,179**	588,517
Loans receivables	28(i)	**–**	48,217
Other financial assets at amortised cost	28(iv)	**1,045,689**	1,019,182
Other receivables	28(iii)	**2,815**	12,075
Prepayments	32	**49,349**	186,787
Deferred tax assets	41	**663,144**	570,453
		21,547,897	21,988,308
Current assets			
Inventories	30	**3,707,244**	2,588,785
Trade receivables	31	**3,161,080**	2,465,152
Consideration receivables	28(ii)	**129,896**	183,678
Loans receivables	28(i)	**1,658,704**	2,705,794
Prepayments	32	**1,366,453**	302,079
Other receivables	28(iii)	**1,876,325**	2,571,609
Other financial assets at amortised cost	28(iv)	**–**	254,050
Income tax prepaid		**2,403**	39,460
Financial assets at fair value through other comprehensive income	27	**3,504,200**	2,880,568
Financial assets at fair value through profit or loss	26	**1,313,913**	1,540,270
Properties under development	33	**696,681**	190,677
Properties held for sale	34	**438,770**	553,432
Restricted cash	35	**1,670,336**	2,731,254
Cash and cash equivalents	35	**2,490,570**	2,797,003
		22,016,575	21,803,811

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and bills payables	36	**6,797,908**	6,090,338
Other payables and accruals	37	**2,779,029**	3,116,778
Contract liabilities	7(ii)	**2,238,334**	575,808
Corporate bonds	39	**–**	1,923,316
Lease liabilities	20(b)(i)	**45,611**	39,808
Bank and other borrowings	38	**5,019,531**	5,199,030
Income tax payable		**937,787**	824,593
Warranty provision	40	**578,595**	216,868
Deferred income		**25,778**	23,944
		18,422,573	18,010,483
Net current assets		**3,594,002**	3,793,328
Total assets less current liabilities		**25,141,899**	25,781,636
Non-current liabilities			
Corporate bonds	39	**–**	498,437
Bank and other borrowings	38	**2,197,601**	2,531,387
Derivative financial instruments	29	**43,362**	59,952
Deferred income		**177,551**	185,189
Lease liabilities	20(b)(i)	**371,802**	404,855
Warranty provision	40	**372,480**	97,164
Deferred tax liabilities	41	**1,182,123**	1,136,831
		4,344,919	4,913,815
Net assets		**20,796,980**	20,867,821
Capital and reserves			
Share capital	42	**160,872**	160,872
Reserves	44	**17,014,829**	17,447,686
Equity attributable to equity shareholders of the Company		**17,175,701**	17,608,558
Non-controlling interests		**3,621,279**	3,259,263
Total equity		**20,796,980**	20,867,821

The consolidated financial statements on pages 68 to 205 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Ji Changqun
Director

Shen Chen
Director

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Equity reserve RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Employee share trust reserve RMB'000	Other reserve RMB'000	Investment revaluation reserve RMB'000	Reverse acquisition reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 as originally presented		161,084	422,833	17,076,227	662,303	31,777	(35,258)	(395,593)	(240,824)	(390,381)	242,207	3,161,125	20,695,500	3,205,037	23,900,537
Changes in accounting policies		–	–	–	–	–	–	–	–	–	–	(30,754)	(30,754)	142	(30,612)
Restated balance at 1 January 2019		161,084	422,833	17,076,227	662,303	31,777	(35,258)	(395,593)	(240,824)	(390,381)	242,207	3,130,371	20,664,746	3,205,179	23,869,925
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	–	(2,874,192)	(2,874,192)	30,074	(2,844,118)
Other comprehensive (loss)/income for the year															
– Changes in fair value of debt investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(5,381)	–	–	–	(5,381)	(1,900)	(7,281)
– Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(23,088)	–	–	–	(23,088)	28,864	5,776
– Share of other comprehensive loss of associates		–	–	–	–	–	–	–	(50,392)	–	–	–	(50,392)	–	(50,392)
– Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(41,440)	–	(41,440)	(1,779)	(43,219)
Total comprehensive (loss)/income for the year		–	–	–	–	–	–	–	(78,861)	–	(41,440)	(2,874,192)	(2,994,493)	55,259	(2,939,234)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	26	26
Disposal of subsidiaries		–	–	–	(58,330)	–	–	–	–	–	–	–	(58,330)	(36,204)	(94,534)
Disposal of disposal group		–	–	–	–	–	–	–	–	–	–	–	–	57,553	57,553
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(30,002)	(30,002)
Disposal of financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	1,122	–	–	(1,122)	–	–	–
Transferred from retained earnings		–	–	–	12,620	–	–	–	–	–	–	(12,620)	–	–	–
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	3,110	3,110
Partial disposal of interest in subsidiaries without loss of control		–	–	–	–	–	–	1,158	–	–	–	–	1,158	4,342	5,500
Shares repurchased during the year	42	(212)	–	(4,311)	–	–	–	–	–	–	–	–	(4,523)	–	(4,523)
At 31 December 2019		160,872	422,833	17,071,916	616,593	31,777	(35,258)	(394,435)	(318,563)	(390,381)	200,767	242,437	17,608,558	3,259,263	20,867,821

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Equity reserve RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Employee share trust reserve RMB'000	Other reserve RMB'000	Investment revaluation reserve RMB'000	Reverse acquisition reserve RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		160,872	422,833	17,071,916	616,593	31,777	(35,258)	(394,435)	(318,563)	(390,381)	200,767	242,437	17,608,558	3,259,263	20,867,821
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	–	(894,305)	(894,305)	196,025	(698,280)
Other comprehensive income/(loss) for the year															
– Changes in fair value of debt investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	1,108	–	–	–	1,108	392	1,500
– Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	59,714	–	–	–	59,714	42,418	102,132
– Share of other comprehensive income of associates		–	–	–	–	–	–	–	1,839	–	–	–	1,839	–	1,839
– Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(14)	–	(14)	(5,235)	(5,249)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	62,661	–	(14)	(894,305)	(831,658)	233,600	(598,058)
Deemed disposal of a subsidiary	49	–	–	–	–	–	–	–	–	–	–	–	–	(87,641)	(87,641)
Disposal of subsidiaries	48	–	–	–	–	–	–	–	–	–	–	–	–	4,713	4,713
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(76,629)	(76,629)
Disposal of financial assets at fair value through other comprehensive income		–	–	–	–	–	–	–	(192,342)	–	–	267,380	75,038	(75,038)	–
Partial disposal of interests in subsidiaries without change in control	50(i)	–	–	–	–	–	–	(696)	–	–	–	–	(696)	5,396	4,700
Acquisition of additional interests in a subsidiary	50(ii)	–	–	–	–	–	–	(7,962)	–	–	–	–	(7,962)	(7,638)	(15,600)
Capital contribution by non-controlling shareholders of a subsidiary	50(iii)	–	–	–	–	–	–	(215,253)	–	–	–	–	(215,253)	365,253	150,000
Transferred from retained earnings		–	–	–	51,054	–	–	–	–	–	–	(51,054)	–	–	–
Share-based payment	11(b)	–	–	–	–	–	–	547,674	–	–	–	–	547,674	–	547,674
At 31 December 2020		160,872	422,833	17,071,916	667,647	31,777	(35,258)	(70,672)	(448,244)	(390,381)	200,753	(435,542)	17,175,701	3,621,279	20,796,980

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	46	1,170,283	2,424,915
Income taxes paid		(303,072)	(61,387)
Net cash generated from operating activities		867,211	2,363,528
Cash flows from investing activities			
Interest received		85,713	214,064
Placements of pledged bank deposits		(4,349,603)	(6,034,046)
Withdrawal of pledged bank deposits		5,416,943	6,243,467
Investments in structured bank deposits		(388,000)	(152,100)
Redemption of structured bank deposits		235,960	973,724
Proceeds from disposal of financial assets at fair value through other comprehensive income		638,009	199,098
Purchases of financial assets at fair value through other comprehensive income		(100,000)	(26,998)
Purchases of financial assets at fair value through profit or loss		(378,243)	(1,500)
Proceeds from disposal of financial assets at fair value through profit or loss		907,726	215,332
Purchases of items of property, plant and equipment		(571,228)	(834,785)
Proceeds from disposal of items of property, plant and equipment		75,460	28,748
Payments for right-of-use assets		(10,583)	(82,389)
Proceeds from disposal of investment properties		22,947	145,499
Purchases of other intangible assets		(2,340)	(4,647)
Acquisition of assets through acquisition of subsidiaries	47	(394,235)	–
Acquisition of subsidiaries		–	(60,240)
Deemed disposal of a subsidiary	49	(40)	–
Disposal of subsidiaries	48	46,128	(57,866)
Disposal of disposal group		–	104,979
Receipt of consideration receivables		179,546	170,074
Investments in joint ventures	23	(7,500)	(167,000)
Proceeds from disposal of joint ventures		–	188,305
Capital withdrawal from a joint venture		–	392,279
Investments in associates	24	–	(4,000)
Proceeds from disposal of associates		38,160	31,549
Other investment income received		24,668	176,036
Purchases of other financial assets at amortised cost		–	(33,087)
Proceeds from disposal of other financial assets at amortised cost		254,050	–
Receipt of government grants		26,999	143,041
Loans and other receivables granted		(410,820)	(1,505,481)
Receipt of loans and other receivables		1,052,381	1,050,695
Net cash generated from investing activities		2,392,098	1,312,751

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Consideration received from non-controlling shareholders of a subsidiary	50(i)	4,700	3,110
Capital contribution by non-controlling shareholders of a subsidiary	50(iii)	150,000	–
Payment for acquisition of additional interests in a subsidiary	50(ii)	(15,600)	–
Redemption of corporate bonds	39	(2,428,799)	–
Payment on repurchase of shares	42	–	(4,523)
New bank and other borrowings		5,569,780	5,535,419
Repayment of bank and other borrowings		(6,057,601)	(8,143,254)
Capital element of lease rental paid		(39,362)	(21,295)
Interest element of lease rental paid		(23,643)	(16,014)
Dividends paid		(76,629)	(30,002)
Interest paid		(600,967)	(742,151)
Net cash used in financing activities		(3,518,121)	(3,418,710)
Net (decrease)/increase in cash and cash equivalents		(258,812)	257,569
Cash and cash equivalents at the beginning of the year		2,797,003	2,536,801
Net effect of foreign exchange rate changes		(47,621)	2,633
Cash and cash equivalents at the end of year		2,490,570	2,797,003

The accompanying notes are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Fullshare Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is Unit 2805, Level 28, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 54 to the consolidated financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter. The Group is principally engaged in the following principal activities:

- Properties – invest, develop and sale of properties, and provision of construction related services;
- Tourism – hotel operations, sale of tourist goods and provision of related services;
- Investment and financial services – holding and investing in a variety of investments and financial products with potential or for strategic purposes including but not limited to listed and unlisted securities, bonds, funds, derivatives, structured and other treasury products; and rendering the investment and financial related consulting services;
- Healthcare, education and others – sale of healthcare and education products and provision of related services and sale of related products; and
- New energy – manufacture and sale of mechanical transmission equipment products and trade of goods.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Magnolia Wealth International Limited ("Magnolia"), which is a company incorporated in the British Virgin Islands ("BVI") with limited liability.

The consolidated financial statements were approved for issue by the board of directors of the Company on 31 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance ("CO"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities and investment properties which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) New and amended standards adopted by the Group

The Group has applied the Amendment to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to HKAS 1 and HKAS 8,	'Definition of Material'
Amendments to HKFRS 3,	'Definition of a Business'
Amendments to HKFRS 9, HKAS 39 and HKFRS 7.	'Interest Rate Benchmark Reform'

These amendments had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments listed below have been published but are not mandatory to be adopted for the year ended 31 December 2020 and have not been early adopted by the Group. The standards and amendments are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

- Amendments to HKFRS 16, 'COVID-19-Related Rent Concessions', effective for the accounting period beginning on or after 1 June 2020

- Amendments to HKFRS 3, 'Reference to the Conceptual Framework', effective for the accounting period beginning on or after 1 January 2022

- Amendments to HKAS 16, 'Property, Plant and Equipment: Proceeds before Intended Use', effective for the accounting period beginning on or after 1 January 2022

- Amendments to HKAS 37, 'Onerous Contracts — Cost of Fulfilling a Contract', effective for the accounting period beginning on or after 1 January 2022

- Annual Improvements to HKFRSs 2018-2020 Cycle, effective for the accounting period beginning on or after 1 January 2022

- Amendments to HKAS 1, 'Classification of Liabilities as Current or Non-current', effective for the accounting period beginning on or after 1 January 2023

- HKFRS 17, 'Insurance contract', effective for the accounting period beginning on or after 1 January 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.7).

Inter-company 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 accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity respectively.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method (Note 2.5), after initially being recognised at cost in the consolidated statement of financial position.

2.4 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in joint ventures are accounted for using the equity method (Note 2.5), after initially being recognised at cost in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Equity accounting

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

When the 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 Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the other entity.

Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the 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 Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.15.

2.6 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity shareholders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests 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 the shareholders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured 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, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 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 shareholders of the acquired business;
- Equity interests issued by the 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 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.

The excess of the:

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity; and
- Acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Business combinations *(continued)*

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2.8 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the chief operating decision-maker are determined following the Group's major business and service lines.

2.10 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is mainly Hong Kong dollars ("HK$"), Renminbi ("RMB"), US dollars ("US$"), Australian dollars ("AUD") and European Monetary Unit ("EUR") respectively. The consolidated financial statements are presented in RMB.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Foreign currency translation *(continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 are recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within “Other losses – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss (“FVPL”) are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income (“FVOCI”) are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) 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 item are translated at the closing rate at the statement of financial position date;

- Income and expenses for each statement of profit or loss and other 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Foreign currency translation *(continued)*

(iv) Disposal of foreign operation and partial disposal

On disposal of a foreign operation (that is, a disposal of the 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 arrangement 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 equity shareholders of the Company are reclassified to profit or loss.

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

2.11 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and any impairment losses. 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 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 on the straight-line method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives, as follows:

Hotel properties	25 years
Freehold lands	Indefinite
Buildings	30-35 years
Plant and machinery	5-10 years
Furniture and fixtures	5 years
Motor vehicles and others	5 years

Freehold lands are stated at cost less any impairment losses and are not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Property, plant and equipment *(continued)*

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 2.15).

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on disposal or retirement recognised in profit or loss in the year the asset is derecognised as the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at historical cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.12 Investment properties

Investment properties are interests in lands and buildings, which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including related transaction costs and borrowing costs where applicable. After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss and other comprehensive income as fair value gains or losses in investment properties.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For transfers from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve. For transfers from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit ("CGU") level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Patents and technologies

Purchased patents and technologies are stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 5 to 15 years.

(ii) Customer relationship

Customer relationship is stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 10 years.

(iii) Research and development costs

All research costs are charged to profit or loss as incurred.

Development costs incurred on projects to develop new products are capitalised and deferred only when the following criteria are met:

- It is technically feasible to complete the products so that it will be available for use;
- Management intends to complete the products and use or sell it;
- There is an ability to use or sell the products;
- It can be demonstrated how the products will generate probable future economic benefits;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Intangible assets (other than goodwill) *(continued)*

(iii) Research and development costs *(continued)*

- Adequate technical, financial and other resources to complete the development and to use or sell the products are available; and

- The expenditure attributable to the products during its development can be reliably measured.

Development costs that do not meet the above criteria are expensed when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised using the straight-line method over the useful lives of the underlying products of 5 to 10 years, commencing from the date when the products are put into commercial production.

(iv) Licenses

Licenses are stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 10 years.

2.14 Goodwill

Goodwill is measured as described in Note 2.7. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the CGU or groups of CGU to which the goodwill relates. Where the recoverable amount of the CGU or groups of CGU is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU or groups of CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Impairment of non-financial assets

Goodwill, intangible assets and freehold lands that have an indefinite useful life are not subject to amortisation or depreciation, and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

2.16 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of leasehold lands, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Leases

A lease is 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 Group.

Contracts may contain both lease and non-lease components. The 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Leases *(continued)*

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable payments 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 Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the 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 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 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;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increase 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Leases *(continued)*

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 Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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 profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.19 Investments and other financial assets

(i) Classification

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

- Those to be measured subsequently at FVPL or FVOCI, and
- Those to be measured at amortised cost.

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

For assets that are 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Investments and other financial assets *(continued)*

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the 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 Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the 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 Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the 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 "Other 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 losses – net", together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other 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 losses, interest income and foreign exchange gains and losses which are recognised in profit and 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 losses – net". Interest income from these financial assets is included in "Other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other losses – net" and impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other 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 as a separate line item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Investments and other financial assets *(continued)*

(iii) ***Measurement*** *(continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the 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 investments. Dividends from such investments continue to be recognised in profit or loss as "Other income" when the Group's right to receive dividend is established.

Changes in the fair value of financial assets at FVPL are recognised in "Fair value changes in financial instruments" in profit or loss 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) ***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Investments and other financial assets *(continued)*

(v) Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at amortised cost and FVOCI, and other financial guarantee contracts which are subject to impaired assessment under HKFRS 9. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(iv) details how the Group determines whether there has been a significant increase in credit risk.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to ECL assessment.

For financial instruments that have low risk of default at the end of the reporting period, except for receivables related to revenue, the Group assumes that there is no significant increase in credit risk since the initial recognition, on first stage, and measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk or credit impairment has occurred since the initial recognition of a financial instrument, on second stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

For trade receivables, the 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 3(iv) for further details.

2.20 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 3(iv) for a description of the Group's impairment policies.

2.22 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and 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. Restricted cash is excluded from cash and cash equivalents.

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee and as security deposits under bank borrowing agreements or monies held on trust for the customers. Such restricted cash will be released when the Group repays the related trade facilities, bank loans or trust money.

2.23 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

The Group can buy back its own fully paid-up shares provided that: it has sufficient funding available; the buy-back leaves at least one remaining member; and the purchase and the manner in which the purchase is conducted are authorised by the Group either by the Articles or a shareholder's resolution. The directors must be satisfied that the Group will be able to pay its debts as they fall due in the ordinary course of business immediately after it pays for the share repurchase.

A buy-back has no effect on the authorised share capital of the Group, but shares which are bought back are generally treated as cancelled, and once the repurchase is complete, the Group's issued share capital is reduced by an amount equal to the par value of the repurchased shares.

A buy-back may be funded out of profits, the proceeds of a new share issue, out of share premium account or out of capital provided always that the Group will remain able to meet its debts as they fall due or a combination of these funding methods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

2.25 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 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 and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) 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 Company and its subsidiaries, associates and joint ventures operate and generate 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.

Current income tax also includes the PRC land appreciation tax ("LAT") which is levied on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

(ii) 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, or 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 for 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 at the time when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Current and deferred income tax *(continued)*

(ii) ***Deferred income tax*** *(continued)*

Deferred tax assets are recognised only to the extent that 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 the subsidiaries, associates and joint arrangements where the Company 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.

(iii) ***Offsetting***

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.

2.27 Employee benefits

(a) ***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in other payables and accruals in the consolidated statement of financial position.

(b) ***Pension obligations***

The People's Republic of China (the "PRC") employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans. The non-PRC employees are covered by other defined-contribution pension plans sponsored by the government of their respective country of residence. The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. These subsidiaries are required to contribute certain fixed percentages of their payroll costs to the central pension scheme or the MPF Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme and the MPF Scheme. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Employee benefits *(continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: when Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.28 Share-based payments

(i) Employee share option scheme

The fair value of options granted under the Group's employee share option scheme is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g. the Company's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Group over a specified time period); and
- Including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Share-based payments *(continued)*

(ii) Employee share award scheme

The Group operates share award scheme to recognise the contributions by employees. The fair value of the employee services received in exchange for the grant of shares is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted:

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of share awards that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to other reserve.

The employee share trust is administered by an independent trustee and is funded by the Group's cash contributions and recorded as contributions to employee share trust, an equity component. The administrator of the employee share trust buys the Company's shares in the open market for the awards to employees if applicable.

(iii) Capital injection by employees at a discount

The fair value of equity instruments at the grant date, net of consideration paid for the equity instruments by employees, if applicable, is recognised as an employee benefit expense with a corresponding increase in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Provisions

Provisions are recognised when the 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate, which represent the directors' best estimate of the expected cost and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

2.30 Financial guarantee contracts

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

Where guarantees in relation to loans or other payables of associates or joint arrangements are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.31 Derivative financial instruments

Derivative financial instruments of the Group are separate derivative derived from the investment of financial assets, which are not designated as hedges.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each of the reporting period.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit or loss on that day.

2.32 Revenue recognition

The Group manufactures and sells goods, develops and sells properties, and renders other services to its customers. Revenue are recognised when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws and rules that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue excludes value added taxes and is after deduction of any trade discounts.

(i) Sales of goods

Revenue from sales of goods directly to customers is recognised at the point that the control of the inventory have passed to the customer, which is usually at the date when the Group has delivered products to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.32 Revenue recognition *(continued)*

(ii) Sales of properties

The Group develops and sells residential properties in the PRC. Revenue is recognised at a point in time when the property is delivered to the customer, the customer has accepted the property in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(iii) Service income

The Group provides services to its customers at fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group recognises revenue from services over the period of time where the customer simultaneously receives and consumes the benefits provided by the Group or the Group has an enforceable right to payments for performance completed to date and the performance do not create an asset with an alternative use. Otherwise revenue was recognised at a point in time. For revenue recognised over the period of time, the Group measures the progress towards complete satisfaction of performance obligation on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by the Group. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. See Note 2.18 for further details.

(v) Dividend income

Dividend income are received from financial assets at FVPL and FVOCI. Dividend is recognised as “Other income” in profit or loss when the right to receive dividend is established. This applies even if they are paid out of pre-acquisition profits, unless dividend clearly represents a recovery of part of the cost of an investment. In this case, dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(vi) Interest income

Interest income from financial assets at FVPL is included in “Fair value changes in financial instruments” in profit or loss.

Interest income on loans receivables and other financial assets at amortised cost calculated using the effective interest method is recognised as “Other income” in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.32 Revenue recognition *(continued)*

(vi) Interest income *(continued)*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that are subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the impairment losses).

(vii) Financing components

The Group adjusts the transaction price for the time value of money where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year considering it provides a potential significant benefit. The transaction price is adjusted by the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

(viii) Multiple performance obligations

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

(ix) Contract assets and contract liabilities

As agreed in the contracts, the customer pays fixed or variable amount based on a payment schedule. If the services or goods rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services or goods rendered, a contract liability is recognised. Any unconditional rights to consideration are presented separately as receivables.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. See Note 2.38 for details.

2.33 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.33 Earnings per share *(continued)*

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.34 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the shareholders of the Company.

2.35 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to companies within the Group with no future related costs are recognised as income of the period in which they become receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight-line method over the expected lives of the related assets.

2.36 Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the research and development project so that it will be available for use or sale;
- Management intends to complete the research and development project, and use or sell it;
- It can be demonstrated how the research and development project will generate economic benefits; there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and
- The expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditure that do not meet these criteria are recognised as an expense as incurred. Research and development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.37 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.38 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. According to the Group's risk management policies, the financial risks shall be assessed continuously by the management, taking into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed are described below.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (Note 38), loans receivables (Note 28(i)), corporate bonds (Note 39), and certain financial assets at amortised cost (Note 28(iv)), at FVPL (Note 26) and at FVOCI (Note 27). The Group is also exposed to cash flow interest rate risk in relation to bank and other borrowings (Note 38). Management monitors the interest rate exposures and will consider hedging significant interest rate exposures should the need arise. The Group is also exposed to cash flow interest rate risk relates to restricted cash and cash and cash equivalents carried at prevailing market rates. However, such exposure is minimal to the Group as these cash and cash equivalents are all short-term in nature.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate as stipulated by the People's Bank of China arising from the Group's RMB borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank and other borrowings, which is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

For variable-rate bank and other borrowings, if the interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2020 would have increased by approximately RMB7,840,000 (2019: RMB8,436,000). The analysis is performed on the same basis as 2019.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Foreign currency risk

The Group has transactional currency exposures and exposures on net investment in the Group's foreign operations. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies and the fluctuation in exchange rates between the foreign operations and RMB, which causes the carrying amount of the net investment to vary. Approximately 15% (2019: 28%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 5% (2019: 7%) of costs were not denominated in the units' functional currencies. The Group currently did not enter into any hedge under the Group's foreign currency risks strategy as the Group considers the risk of movements in exchange rates between different foreign currencies and RMB to be insignificant.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to the translation of a foreign operation using a functional currency other than the presentation currency of the Group). The analysis is performed on the same basis as 2019. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Increase/ (decrease) in RMB rate	(Increase)/ decrease in loss before tax RMB'000	(Decrease)/ increase in equity* RMB'000
2020			
If HK$ weakens against RMB	5%	(103,917)	(8,076)
If HK$ strengthens against RMB	(5%)	103,917	8,076
If US$ weakens against RMB	5%	(19,878)	(4,808)
If US$ strengthens against RMB	(5%)	19,878	4,808
If EUR weakens against RMB	5%	(10,971)	–
If EUR strengthens against RMB	(5%)	10,971	–
If AUD weakens against RMB	5%	2,254	3,522
If AUD strengthens against RMB	(5%)	(2,254)	(3,522)

3 FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Foreign currency risk *(continued)*

	Increase/ (decrease) in RMB rate	(Increase)/ decrease in loss before tax RMB'000	(Decrease)/ increase in equity* RMB'000
2019			
If HK$ weakens against RMB	5%	(155,441)	(22,866)
If HK$ strengthens against RMB	(5%)	155,441	23,866
If US$ weakens against RMB	5%	(15,836)	(1,567)
If US$ strengthens against RMB	(5%)	15,836	1,567
If EUR weakens against RMB	5%	(9,038)	–
If EUR strengthens against RMB	(5%)	9,038	–
If AUD weakens against RMB	5%	4,098	4,699
If AUD strengthens against RMB	(5%)	(4,098)	(4,699)

* Excluding retained earnings

(iii) Equity price risk

The Group's equity price risk is exposed through its investments in listed equity securities and certain derivative financial instruments. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange and the NASDAQ Stock Market ("NASDAQ"). The Group closely monitors the price risk and will consider hedging the risk exposure should the need arise.

In addition, the Group also invested in certain unquoted investments for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the group, together with an assessment of their relevance to the Group's long term strategic plans.

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period. If the prices of the respective listed equity instruments had been 10% (2019: 10%) higher/lower, the loss after tax and total comprehensive loss after tax for the year ended 31 December 2020 would have decreased/increased by approximately RMB30,839,000 and RMB23,167,000 (2019: RMB69,234,000 and RMB38,475,000) respectively, as a result of the changes in fair value of the equity instruments. The Group has diversified its investment portfolio in order to minimise the concentration of such equity price risk.

If the fair value of the respective unlisted equity instruments had been 10% (2019: 10%) higher/lower, the loss after tax and total comprehensive loss after tax for the year ended 31 December 2020 would have decreased/increased by approximately RMB69,182,000 and RMB216,599,000 (2019: RMB46,301,000 and RMB232,884,000) respectively, as a result of the changes in fair value of the unlisted equity instruments.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk

The Group has policies to limit the credit exposure on debt instruments measured at amortised cost, FVOCI and financial guarantee contracts. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial positions, the availability of guarantees from third parties, their credit history and other factors such as current market conditions. Management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The credit risk on the Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2020, trade and bills receivables from top five customers accounted for approximately 28% (2019: 23%) of the Group's trade and bills receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade and bills receivables. The Group does not obtain collateral from customers or counterparties in respect of trade and bills receivables.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties, which were approximately RMB17,411,000 (2019: RMB225,494,000) as at 31 December 2020. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the directors of the Company consider that the Group would recover any loss that may arise from the guarantees provided by the Group.

For loan receivables, other receivables and other financial assets at amortised cost, management makes periodic and collective assessment as well as individual assessment on the recoverability of loan receivables, other receivables and other financial assets at amortised cost based on historical settlement records, past experience, and also quantitative and qualitative forward-looking information that is reasonable and supportive.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB2,612,028,000 (2019: RMB2,956,261,000) as at 31 December 2020. The credit risk on certain financial guarantee contract is considered to be either default or virtually certain to default given the financial position of those counterparties. Accordingly, the loss allowances are measured at lifetime ECL and take into consideration of delinquency ratio and collateral values. Balances of liabilities arising from the financial guarantee contracts are set out in Note 37.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

The Group has the following types of financial assets and other item that are subject to expected credit loss ("ECL") model:

- Cash and cash equivalents and restricted cash;
- Trade receivables;
- Financial assets at amortised cost (excluding trade receivables);
- Bills receivables measured at FVOCI; and
- Financial guarantee contracts.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of the reporting period with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information, which include:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

A financial asset is considered as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence may include but not limited to significant financial difficulty of the issuer or the borrower, a breach of contract, such as a default or past due over 90 days, or it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation and so on. The management would assess and examine the balance individually.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime ECL provision for trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics and days past due, unless for debtors that are credit-impaired, at which the collection of receivables are assessed individually.

For ECL assessed under the simplified approach, pursuant to which the expected loss rates are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and producer price index in which it sells goods, properties and renders services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the ECL provision as at 31 December 2020 and 2019 was determined as follows:

2020	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	More than 4 years RMB'000	Total RMB'000
ECL rate	2.28%	34.61%	56.62%	83.38%	100.00%	11.04%
Gross carrying amount under ECL model (excluding debtors of which 100% loss allowances have been provided)	3,126,419	104,473	65,736	54,704	202,067	3,553,399
Loss allowances under ECL model	(71,257)	(36,160)	(37,222)	(45,613)	(202,067)	(392,319)
100% loss allowances specifically provided	(4,566)	(11,530)	(50,070)	(119,224)	(17,151)	(202,541)
Loss allowances	(75,823)	(47,690)	(87,292)	(164,837)	(219,218)	(594,860)
Net carrying amount	3,055,162	68,313	28,514	9,091	–	3,161,080

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) Trade receivables (continued)

2019	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	More than 4 years RMB'000	Total RMB'000
ECL rate	2.97%	23.61%	44.35%	82.73%	100%	15.35%
Gross carrying amount under ECL model (excluding debtors of which 100% loss allowances have been provided)	2,293,052	189,142	155,851	52,320	221,827	2,912,192
Loss allowances under ECL model	(68,156)	(44,649)	(69,125)	(43,283)	(221,827)	(447,040)
100% loss allowances specifically provided	(1,873)	(24,861)	(56,320)	(6,652)	(11,740)	(101,446)
Loss allowances	(70,029)	(69,510)	(125,445)	(49,935)	(233,567)	(548,486)
Net carrying amount	2,224,896	144,493	86,726	9,037	–	2,465,152

The movements of ECL provision for trade receivables during the years ended 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
ECL provision as at 1 January	**548,486**	551,567
Net provision for loss allowances recognised in profit or loss	**67,963**	15,998
Uncollectible receivables written off during the year	**(21,564)**	(19,079)
Exchange differences	**(25)**	–
ECL provision as at 31 December	**594,860**	548,486

The provision for loss allowance were recognised in profit or loss in net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

During the year ended 31 December 2020, two debtors of the same group are in the process of liquidation due to their financial difficulties. In the opinion of the directors of the Group, the recovery of these debts are in doubt and therefore a specific provision of RMB87,099,000 are made.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) ***Trade receivables*** *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach.

Trade receivables	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Total
		RMB'000	RMB'000
As at 31 December 2018	450,651	100,916	551,567
Changes due to financial instruments recognised as at 1 January 2019:			
– Transferred to credit-impaired	(50)	50	–
– Impairment losses recognised	15,291	480	15,771
– Receivables written off during the year as uncollectible	(19,079)	–	(19,079)
New financial assets originated or purchased	227	–	227
As at 31 December 2019	447,040	101,446	548,486
Changes due to financial instruments recognised as at 1 January 2020:			
– Transferred to non-credit-impaired	377	(377)	–
– Transferred to credit-impaired	(12,353)	12,353	–
– Impairment losses (reversed)/recognised	(21,431)	88,847	67,416
– Receivables written off during the year as uncollectible	(21,564)	–	(21,564)
New financial assets originated or purchased	275	272	547
Exchange differences	(25)	–	(25)
As at 31 December 2020	392,319	202,541	594,860

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables)

Financial assets at amortised cost (excluding trade receivables) include other receivables, loans receivables, consideration receivables and other financial assets at amortised cost.

The Group uses three categories for financial assets at amortised cost (excluding trade receivables) which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers both historical loss rates and forward-looking macroeconomic data. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Debtors have a low risk of default and a strong capacity to meet contractual cash flows, or debtors frequently repay after due dates but usually settle in full	12 month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0% – 5%
Stage two	There have been significant increase in credit risk since initial recognition through information developed internally or externally sources	Lifetime expected credit losses	5% – 40%
Stage three	There is evidence indicating the receivable is credit impaired	Lifetime expected credit losses	40% – 100%

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables) (continued)

As at 31 December 2020 and 2019, the Group provided the following ECL provision against financial assets at amortised cost (excluding trade receivables):

	ECL rate	Gross carrying amount RMB'000	ECL provision RMB'000	Carrying amount (net of provision for loss allowances) RMB'000
2020				
Loans receivables *(Note (i))*	**48.12%**	**3,197,292**	**(1,538,588)**	**1,658,704**
Consideration receivables	**4.14%**	**135,500**	**(5,604)**	**129,896**
Other receivables *(Note (i))*	**22.67%**	**2,430,166**	**(551,026)**	**1,879,140**
Other financial assets at amortised cost	**0.04%**	**1,046,141**	**(452)**	**1,045,689**
		6,809,099	**(2,095,670)**	**4,713,429**
2019				
Loans receivables	18.24%	3,368,261	(614,250)	2,754,011
Consideration receivables	0.74%	185,046	(1,368)	183,678
Other receivables *(Note (ii))*	16.45%	3,092,323	(508,639)	2,583,684
Other financial assets at amortised cost	0.03%	1,273,597	(365)	1,273,232
		7,919,227	(1,124,622)	6,794,605

Note:

(i) The expected loss rate for loans receivables increased in a greater extent in 2020 due to significant increase in credit risks of certain borrowers since initial recognition. The financial condition of the borrowers have been significantly deteriorated with certain of their loans default in repayments and remain unsettled as at the end of the reporting period.

In addition, the credit risk on embedded interest receivables which was recognised in "Other receivables" as at 31 December 2020 and 2019 from these loans in default increased in a greater extent and therefore an additional impairment loss of RMB90,971,000 is recognised during the year ended 31 December 2020.

(ii) At the time of disposal of the subsidiaries during the year ended 31 December 2019, the management reassessed the collectability of certain amounts due from these subsidiaries and considered these amounts were probably not recoverable. An impairment loss of approximately RMB405,239,000 was recognised, which was included in the calculation of the gain on disposal of disposal group.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables) (continued)

The following table shows reconciliation of loss allowances that has been recognised for loans receivables:

	12-month ECL RMB'000	Lifetime ECL (non-credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
Loans receivables				
As at 31 December 2018	3,747	113,240	–	116,987
Changes due to financial instruments recognised as at 1 January 2019:				
– Transferred to credit-impaired	–	(38,057)	38,057	–
– Transferred to lifetime ECL	(251)	251	–	–
– Transferred to 12-month ECL	6,107	(6,107)	–	–
– Impairment losses (reversed)/ recognised	(3,902)	(30,373)	270,533	236,258
New financial assets originated or purchased	126,841	96,161	38,003	261,005
As at 31 December 2019	132,542	135,115	346,593	614,250
Changes due to financial instruments recognised as at 1 January 2020:				
– Transferred to credit-impaired	(130,685)	(130,244)	260,929	–
– Transferred to lifetime ECL	(978)	38,981	(38,003)	–
– Impairment losses (reversed)/ recognised	(877)	(34,434)	904,102	868,791
New financial assets originated or purchased	55,547	–	–	55,547
As at 31 December 2020	55,549	9,418	1,473,621	1,538,588

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables) *(continued)*

The following table shows reconciliation of loss allowances that has been recognised for consideration receivables:

	12-month ECL	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration receivables				
As at 31 December 2018	77,094	–	–	77,094
Changes due to financial instruments recognised as at 1 January 2019:				
– Impairment losses reversed	(75,726)	–	–	(75,726)
As at 31 December 2019	1,368	–	–	1,368
Changes due to financial instruments recognised as at 1 January 2020:				
– Impairment losses recognised	–	–	4,095	4,095
New financial assets originated or purchased	141	–	–	141
As at 31 December 2020	1,509	–	4,095	5,604

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables) (continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12-month ECL RMB'000	Lifetime ECL (non-credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
Other receivables				
As at 31 December 2018	32,212	15,994	–	48,206
Changes due to financial instruments recognised as at 1 January 2019:				
– Transferred to credit-impaired	(1,193)	–	1,193	–
– Transferred to lifetime ECL	(102)	102	–	–
– Impairment losses (reversed)/ recognised	(4,247)	13,439	27,446	36,638
– Receivables written off during the year as uncollectible	(17,047)	–	–	(17,047)
New financial assets originated or purchased	25,837	9,765	–	35,602
Provision for loss allowances recognised in disposal group	–	405,240	–	405,240
As at 31 December 2019	35,460	444,540	28,639	508,639
Changes due to financial instruments recognised as at 1 January 2020:				
– Transferred to credit-impaired	(5,122)	(168,643)	173,765	–
– Transferred to lifetime ECL	(22,373)	22,373	–	–
– Impairment losses recognised/ (reversed)	10,548	(211,872)	242,467	41,143
– Receivables written off during the year as uncollectible	–	–	(8,861)	(8,861)
New financial assets originated or purchased	27,921	150	12	28,083
Transferred to an associate upon deemed disposal *(Note 49)*	(17,978)	–	–	(17,978)
As at 31 December 2020	28,456	86,548	436,022	551,026

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(b) Financial assets at amortised cost (excluding trade receivables) (continued)

The following table shows reconciliation of loss allowances that has been recognised for other financial assets at amortised cost:

	12-month ECL RMB'000	Lifetime ECL (non-credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
Other financial assets at amortised cost				
As at 31 December 2018	72	–	–	72
New financial assets originated or purchased	293	–	–	293
As at 31 December 2019	365	–	–	365
Changes due to financial instruments recognised as at 1 January 2020:				
– Impairment losses recognised	87	–	–	87
As at 31 December 2020	452	–	–	452

(c) Bills receivables measured at FVOCI

The Group expects that there is no significant credit risk associated with bills receivables since they are either held with state-owned banks or in medium to large size listed banks. Management does not expect that there will be any significant credit losses from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(d) Financial guarantee contracts

The Group recognised ECL provision for financial guarantee contracts by using three categories assessment as mentioned in Note 3(iv)(b).

The movements of ECL provision for financial guarantee contracts during the year ended 31 December 2020 and 2019 are as follows:

	2020	2019
	RMB'000	RMB'000
ECL provision as at 1 January	**–**	–
Provision for loss allowances recognised in profit or loss *(Note)*	**12,000**	–
ECL provision as at 31 December	**12,000**	–

Note:

Certain counterparties are in the process of debt restructuring or their financial conditions have been significantly deteriorated during the year ended 31 December 2020. In the opinion of the directors, the counterparties are not probable to meet their contractual payment obligations in full when due, and thus loss allowances of RMB12,000,000 (2019: Nil) were recognised during the year ended 31 December 2020, which was assessed based on their lifetime ECL (credit impaired) over the guarantee periods provided by the Group.

(e) Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

As at 31 December 2020, the Group is also exposed to credit risk in relation to debt investments that are measured at FVPL. The debt investments which are unrated or credit rating below the pre-set levels have to be approved by the investment committee. The management regularly reviews and monitors the portfolio of debt securities.

The maximum exposure at the end of the reporting period is the carrying amount of these investments, which is RMB505,314,000 (2019: RMB245,421,000).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(e) ***Financial assets at FVPL*** *(continued)*

For the years ended 31 December 2020 and 2019, the summary of the net impairment losses on financial assets and financial guarantee contracts were recognised in profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Provision for/(reversal of) impairment losses on:		
– Trade receivables	67,963	15,998
– Loans receivables	924,338	497,263
– Consideration receivables	4,236	(75,726)
– Other receivables	69,226	72,240
– Other financial assets at amortised cost	87	293
– Financial guarantee contracts	12,000	–
	1,077,850	510,068

(v) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(v) Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			
	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank and other borrowings	5,224,759	2,362,336	219,130	7,806,225
Trade and bills payables	6,797,908	–	–	6,797,908
Other payables and accruals	1,578,317	–	–	1,578,317
Lease liabilities	68,119	262,070	207,572	537,761
Financial guarantee contracts	2,292,066	87,947	–	2,380,013
	15,961,169	2,712,353	426,702	19,100,224

	2019			
	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank and other borrowings	5,875,084	2,180,919	410,930	8,466,933
Corporate bonds	2,163,897	599,695	–	2,763,592
Trade and bills payables	6,090,338	–	–	6,090,338
Other payables and accruals	1,747,790	–	–	1,747,790
Lease liabilities	59,009	393,080	92,364	544,453
Financial guarantee contracts	2,036,975	781,199	90,665	2,908,839
	17,973,093	3,954,893	593,959	22,521,945

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties. Based on the expectations at the end of the reporting period, the Group considers that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(vi) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is calculated as a ratio of the sum of bank and other borrowings and corporate bonds to total assets. The gearing ratio as at the end of the reporting periods was as follows:

	2020 **RMB'000**	2019 RMB'000
Bank and other borrowings *(Note 38)*	**7,217,132**	7,730,417
Corporate bonds *(Note 39)*	**–**	2,421,753
	7,217,132	10,152,170
Non-current assets	**21,547,897**	21,988,308
Current assets	**22,016,575**	21,803,811
Total assets	**43,564,472**	43,792,119
Gearing ratio	**17%**	23%

4 FAIR VALUE ESTIMATION

(i) Financial assets and liabilities

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Management has assessed that the fair values of current portion of financial assets and financial liabilities recorded at amortised cost approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of financial assets and financial liabilities recorded at amortised cost have been calculated by discounting the expected future cash flow using rates currently available for instruments with similar terms, credit risk and remaining maturities and are not materially different to their carrying amounts. The Group's own non-performance risk for bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

(a) Fair value hierarchy

The Group categorised its financial instruments measured at fair value at the end of each reporting period by the level in the fair value hierarchy as below:

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.

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 measure fair value of an instrument are observable, the instrument is 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.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between level 1, level 2 and level 3 fair value hierarchy during the years ended 31 December 2020 and 2019.

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

(a) Fair value hierarchy *(continued)*

The following tables present the financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets at FVOCI:				
– Listed equity investments	**287,198**	**–**	**–**	**287,198**
– Unlisted equity investments	**–**	**–**	**2,860,708**	**2,860,708**
– Bills receivables	**–**	**–**	**3,422,363**	**3,422,363**
Financial assets at FVPL:				
– Unlisted equity investments	**–**	**–**	**779,273**	**779,273**
– Listed equity investments	**369,326**	**–**	**–**	**369,326**
– Structured bank deposits	**–**	**–**	**320,045**	**320,045**
– Trade receivables measured at FVPL	**–**	**–**	**185,269**	**185,269**
– Derivative financial instruments	**–**	**–**	**40,179**	**40,179**
Financial liability at FVPL:				
Derivative financial instruments	**–**	**–**	**(43,362)**	**(43,362)**
	656,524	**–**	**7,564,475**	**8,220,999**
As at 31 December 2019				
Financial assets at FVOCI:				
– Listed equity investments	473,556	–	–	473,556
– Unlisted equity investments	–	–	3,071,900	3,071,900
– Bills receivables	–	–	2,778,410	2,778,410
Financial assets at FVPL:				
– Unlisted equity investments	–	–	465,466	465,466
– Listed equity investments	829,383	–	–	829,383
– Unlisted debt investments	–	–	1,500	1,500
– Structured bank deposits	–	–	157,581	157,581
– Trade receivables measured at FVPL	–	–	86,340	86,340
– Derivative financial instruments	–	–	588,517	588,517
Financial liability at FVPL:				
– Derivative financial instruments	–	–	(59,952)	(59,952)
	1,302,939	–	7,089,762	8,392,701

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

(b) Valuation techniques used to determine fair values

The fair values of listed equity investments measured as financial assets at FVPL and FVOCI were derived from quoted market prices in active markets. These investments are included in level 1 fair value hierarchy.

The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair values of financial instruments except as detailed above, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair values of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore have been classified by the Group as level 3 fair value hierarchy. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, rate of return and expected recovery date, etc.

(c) Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair values of the Group's certain financial instruments categorised within level 2 fair value hierarchy and level 3 fair value hierarchy. The Group's finance department works closely with the independent valuers. Discussions of valuation processes and results were held between the finance department and the valuers at least once every six months.

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

(d) Fair value measurements using significant unobservable inputs (level 3)

The following tables presents the changes in level 3 fair value hierarchy items for the years ended 31 December 2020 and 2019:

	Financial assets at FVPL					Financial assets at FVOCI		
	Unlisted equity investments RMB'000 *(Note 26)*	Trade receivables RMB'000 *(Note 26)*	Unlisted debt investments RMB'000 *(Note 26)*	Structured bank deposits RMB'000 *(Note 26)*	Derivative financial instrument RMB'000 *(Note 26)*	Unlisted equity investments RMB'000 *(Note 27)*	Bills receivables RMB'000 *(Note 27)*	Total RMB'000
At 1 January 2019	472,580	551,057	485,071	961,150	518,602	2,966,293	1,365,791	7,320,544
Acquisitions	–	–	1,500	152,100	46,617	99,654	1,421,624	1,721,495
Disposals	(15,788)	(464,052)	(518,112)	(973,724)	–	–	–	(1,971,676)
Fair value (losses)/gains recognised in profit or loss	(503)	(665)	33,041	18,055	23,298	–	–	73,226
Fair value gains/(losses) recognised in other comprehensive income	–	–	–	–	–	5,953	(9,005)	(3,052)
Exchange differences	9,177	–	–	–	–	–	–	9,177
At 31 December 2019 and 1 January 2020	**465,466**	**86,340**	**1,500**	**157,581**	**588,517**	**3,071,900**	**2,778,410**	**7,149,714**
Acquisitions	**340,000**	**99,848**	**–**	**388,000**	**–**	**–**	**638,792**	**1,466,640**
Disposals	**–**	**–**	**(1,500)**	**(235,960)**	**(568,317)**	**(140,739)**	**–**	**(946,516)**
Fair value gains/(losses) recognised in profit or loss	**2,275**	**(919)**	**–**	**10,424**	**22,097**	**–**	**–**	**33,877**
Fair value (losses)/gains recognised in other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(70,453)**	**5,161**	**(65,292)**
Exchange differences	**(28,468)**	**–**	**–**	**–**	**(2,118)**	**–**	**–**	**(30,586)**
At 31 December 2020	**779,273**	**185,269**	**–**	**320,045**	**40,179**	**2,860,708**	**3,422,363**	**7,607,837**

	Derivative financial instrument RMB'000
Financial liabilities at FVPL	
At 1 January 2019	–
Fair value losses recognised in profit or loss	(59,952)
At 31 December 2019 and 1 January 2020	(59,952)
Fair value gains recognised in profit or loss	16,590
At 31 December 2020	(43,362)

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

(e) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Financial instruments	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Financial assets at FVPL – Unlisted equity investments – Trade receivables – Unlisted debt investments – Structured bank deposits – Derivative financial instruments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level, ranging from 7.5% to 51.0%	The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
Financial assets at FVOCI – Unlisted equity investments – Bills receivables	Level 3	(i) Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level at 2.4%	The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value
		(ii) Net asset value approach	N/A	N/A
		(iii) Market comparison approach	Discount for lack of marketability, ranging from 20.6% to 28.4%	The lower the discount rate, the higher the fair value
Financial liability at FVPL – Derivative financial instruments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level at 7.5%	The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value

4 FAIR VALUE ESTIMATION *(continued)*

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in the expected future cash flows that reflect the expected risk level of the financial assets at the end of the reporting period. If the respective rate of return had been 10% higher/lower, the total comprehensive loss (net of tax) for the year ended 31 December 2020 would have decreased/increased by approximately RMB3,090,000 (2019: RMB5,955,000) as a result of the changes in fair value of the financial assets. The analysis is performed on the same basis as 2019.

(iii) Non-financial assets and liabilities

Refer to Note 19 for disclosures of investments properties that are measured at fair value.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Deferred taxation and LAT on investment properties

For the purposes of measuring deferred tax liabilities and LAT arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that three (2019: two) of the Group's investment properties, shopping malls acquired and constructed in previous year, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in that investment property over time rather than through sale. Therefore, in measuring the Group's deferred tax liabilities on such investment properties, the directors of the Company have determined that the presumption that the carrying amounts of such investment properties are recovered entirely through sale is rebutted. As at 31 December 2020, the carrying amount of such properties was RMB4,404,682,000 (2019: RMB3,492,000,000). For the remaining investment properties on which the presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to the LAT, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2020, the carrying amount of these properties was RMB553,717,000 (2019: RMB527,290,000).

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(i) Judgements *(continued)*

(b) Principal or agent consideration for revenue

The Group offers a variety of travel related services including accommodation reservation services and ticketing services. Revenue is recognised when or as the control of the goods or services is transferred to the customer. The Group determines the presentation of its revenue by assessing whether it acts as the principal of the goods and services that are sold. The Group presents its revenue on a net basis when the Group acts as an agent with no control over the underlying goods and services and does not assume inventory risk. The Group presents its revenue on a gross basis when the Group assumes inventory risk and acts as a principal by pre-purchasing the hotel room nights or tickets from the travel service suppliers. The purchase payments to the travel suppliers are recorded as "Cost of sales and services" in profit or loss. The Group presents majority of its revenue on gross basis as the Group is primarily responsible for providing the underlying goods and services and the Group controls the goods or services provided by suppliers prior to its transfer to customers.

(ii) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below.

(a) Impairment of goodwill

The Group performs goodwill impairment assessment both annually and whenever there is an indication that a CGU to which goodwill has been allocated may be impaired. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The cost of goodwill at 31 December 2020 was RMB2,185,381,000 (2019: RMB2,173,662,000) with accumulated impairment of RMB272,223,000 (2019: RMB84,232,000). Further details are given in Note 21 to the consolidated financial statements.

(b) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The carrying amounts of investment properties at 31 December 2020 was RMB4,958,399,000 (2019: RMB4,019,290,000). Further details, including the key assumptions used for fair value measurement are given in Note 19 to the consolidated financial statements.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(ii) Estimation uncertainty *(continued)*

(c) Impairment of financial assets

The ECL for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the 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 Note 3(iv) to the consolidated financial statements.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(e) Estimation of fair value of unlisted equity investments

The Group holds unlisted equity investments classified as FVOCI or FVPL. The fair value of these investments is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions about expected future cash flow, expected recovery date and discount rates, etc. that are mainly based on market practice and industry knowledge existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in Note 4 to the consolidated financial statements.

(f) Current and deferred income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(g) Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(ii) Estimation uncertainty *(continued)*

(h) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets, including property, plant and equipment, at the end of each reporting period. 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 CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Certain property, plant and equipment were subject to impairment and impairment losses of RMB258,892,000 (2019: RMB8,003,000) in respect of property, plant and equipment were provided during the year ended 31 December 2020. Details of the impairment of property, plant and equipment are disclosed in Note 18.

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- Properties – invest, develop and sale of properties, and provision of construction related services;
- Tourism – hotel operations, sale of tourist goods and provision of related services;
- Investment and financial services – holding and investing in a variety of investments and financial products with potential or for strategic purposes including but not limited to listed and unlisted securities, bonds, funds, derivatives, structured and other treasury products; and rendering the investment and financial related consulting services;
- Healthcare, education and others – sale of healthcare and education products and provision of related services and sales of related products; and
- New energy – manufacture and sale of mechanical transmission equipment products and trade of goods.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that certain income and gains/losses, finance costs as well as head office and corporate expenses are excluded from such measurement.

Inter-segment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets exclude deferred tax assets, certain property, plant and equipment, certain right-of-use assets, income tax prepaid, restricted cash, cash and cash equivalents, consideration receivables and other unallocated head office and corporate assets as these assets are managed on a group basis.

6 OPERATING SEGMENT INFORMATION *(continued)*

Segment liabilities exclude income tax payable, bank and other borrowings, deferred tax liabilities, corporate bonds, certain lease liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	For the year ended 31 December 2020					
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	261,754	114,385	19,142	407,585	15,368,511	16,171,377
Fair value changes in financial instruments	–	–	56,152	–	–	56,152
Segment results	514,015	(252,222)	(1,081,265)	(115,255)	1,329,129	394,402
Reconciliation:						
Unallocated bank interest income *(Note 9)*						76,606
Losses on disposal of subsidiaries *(Note 10)*						(4,058)
Loss on disposal of an associate *(Note 10)*						(12,388)
Unallocated income and losses						(50,076)
Corporate and other unallocated expenses						(96,915)
Finance costs *(Note 12)*						(605,003)
Loss before tax						(297,432)
Segment assets	9,157,611	502,577	6,400,471	938,454	21,529,293	38,528,406
Reconciliation:						
Corporate and other unallocated assets						5,036,066
Total assets						43,564,472
Segment liabilities	1,162,377	67,449	148,248	440,908	10,484,118	12,303,100
Reconciliation:						
Corporate and other unallocated liabilities						10,464,392
Total liabilities						22,767,492

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2020						
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:							
Share of (loss)/profit of joint ventures *(Note 23)*	(11,105)	–	–	–	18,018	(400)	6,513
Share of profit/(loss) of associates *(Note 24)*	18,295	(2)	–	(23,986)	(21,402)	–	(27,095)
Impairment losses on property, plant and equipment *(Note 18)*	–	193,818	–	–	65,074	–	258,892
Impairment losses on goodwill *(Note 21)*	–	–	35,319	146,350	–	–	181,669
Net provision for impairment losses of financial assets and financial guarantee contracts *(Note 3(iv))*	–	4,095	1,032,668	1,311	39,776	–	1,077,850
Depreciation and amortisation *(Notes 18, 20 and 22)*	1,931	29,024	4,401	50,618	538,959	7,483	632,416
Investments in joint ventures *(Note 23)*	269,637	–	–	–	129,228	–	398,865
Investments in associates *(Note 24)*	1,336,850	20,065	–	133,169	216,992	–	1,707,076
Capital expenditure* *(Notes 18, 19, 20 and 22)*	547,820	18,044	2,866	40,834	402,016	319	1,011,899

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2019					
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	525,904	371,624	45,273	350,514	9,869,788	11,163,103
Fair value changes in financial instruments	–	–	(2,824,876)	–	–	(2,824,876)
Segment results	31,891	(34,851)	(3,222,296)	41,452	635,446	(2,548,358)
Reconciliation:						
Unallocated bank interest income *(Note 9)*						82,168
Gains on disposal of subsidiaries *(Note 10)*						39,098
Losses on disposal of associates *(Note 10)*						(5,093)
Gain on disposal of a joint venture *(Note 10)*						1,469
Gain on disposal of disposal group *(Note 10)*						28,237
Unallocated income and losses						86,922
Corporate and other unallocated expenses						(70,767)
Finance costs *(Note 12)*						(827,352)
Loss before tax						(3,213,676)
Segment assets	8,081,372	795,851	8,637,192	1,166,761	18,718,805	37,399,981
Reconciliation:						
Corporate and other unallocated assets						6,392,138
Total assets						43,792,119
Segment liabilities	977,779	52,524	192,989	458,736	8,017,159	9,699,187
Reconciliation:						
Corporate and other unallocated liabilities						13,225,111
Total liabilities						22,924,298

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2019						
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:							
Share of (loss)/profit of joint ventures *(Note 23)*	(267,891)	–	–	–	15,844	–	(252,047)
Share of profit/(loss) of associates *(Note 24)*	90,793	(54)	–	(3,601)	(11,092)	–	76,046
Impairment losses on property, plant and equipment *(Note 18)*	–	–	–	–	8,003	–	8,003
Impairment losses on goodwill *(Note 21)*	–	–	54,000	–	–	–	54,000
Net (reversal of)/provision for impairment losses of financial assets and financial guarantee contracts *(Note 3(iv))*	(16,406)	1,368	528,828	–	–	(3,722)	510,068
Depreciation and amortisation *(Notes 18, 20 and 22)*	6,706	27,495	2,422	27,397	608,397	4,340	676,757
Investments in joint ventures *(Note 23)*	275,815	–	–	–	111,210	–	387,025
Investments in associates *(Note 24)*	1,369,102	20,069	–	159,812	175,801	–	1,724,784
Capital expenditure* *(Notes 18, 19, 20 and 22)*	293,232	32,931	4,717	173,040	799,817	41,827	1,345,564

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, investment properties and other intangible assets including assets from acquisition of subsidiaries.

(i) Revenue from external customers by locations of customers

	2020 RMB'000	2019 RMB'000
The PRC	**13,097,492**	7,798,746
United States of America	**1,605,518**	2,043,995
Europe	**250,757**	521,225
Australia	**494,165**	488,079
Other countries	**723,445**	311,058
	16,171,377	11,163,103

(ii) Non-current assets by locations of assets

	2020 RMB'000	2019 RMB'000
The PRC	**12,913,800**	12,895,522
Australia	**1,169,222**	1,110,636
United States of America	**139,754**	154,886
Other countries	**61,284**	33,713
	14,284,060	14,194,757

The non-current assets information above is based on the locations of the assets and excludes financial instruments, loans receivables, other receivables, other financial assets at amortised cost, deferred tax assets and investments in joint ventures and associates.

6 OPERATING SEGMENT INFORMATION *(continued)*

(iii) Information about major customers

Revenue from customers which individually amounted to over 10% of the total sales of the Group is as follows:

	2020 **RMB'000**	2019 RMB'000
Customer A*	**2,363,793**	2,980,529
Customer B*	**N/A#**	1,224,934

* It represented revenue from sale of mechanical transmission equipment in the new energy segment.

\# The revenue from this customer for the year ended 31 December 2020 did not contribute over 10% of the total sales of the Group.

7 REVENUE

(i) Revenue from contracts

An analysis of revenue is as follows:

	2020 **RMB'000**	2019 RMB'000
Revenue from contracts with customers		
Properties segment:		
– Property development and sales	**38,839**	269,673
– Construction services	**11,052**	24,889
	49,891	294,562
Tourism segment:		
– Hotel operations	**108,195**	183,508
– Sales of tourist goods and services	**6,190**	188,116
	114,385	371,624
New energy segment:		
– Sales of gear products and trade of goods	**15,368,511**	9,869,788
Investment and financial services segment:		
– Investment and financial consulting services	**19,142**	45,273
Healthcare, education and others segment:		
– Education services	**407,562**	306,355
– Healthcare products and other services	**23**	44,159
	407,585	350,514
Revenue from other sources		
Properties segment:		
– Gross rental income	**211,863**	231,342
	16,171,377	11,163,103

7 REVENUE *(continued)*

(i) Revenue from contracts *(continued)*

The revenue from contracts with customers disaggregated by timing of revenue recognition as follows:

	2020 **RMB'000**	2019 RMB'000
Timing of revenue recognition:		
– Recognised at a point in time	**15,413,563**	10,371,736
– Recognised over time	**757,814**	791,367
	16,171,377	11,163,103

(ii) Liabilities related to contracts with customers

It represents deposits received in advance for made-to-order manufacturing arrangement on acceptance of manufacturing orders, sales proceeds received form customers in connection with the Group's pre-sales of properties and deposits received for other businesses when the contracts signed. The sum of deposits received are based on negotiation on a case by case basis with customers. The significant increase in contract liabilities in current year was mainly due to the increase in advances from customers in relation to the sale of wind gear transmission equipment.

The Group has recognised the following liabilities related to contracts with customers:

	2020 **RMB'000**	2019 RMB'000
Contract liabilities related to:		
– Property development and sales	**18,611**	31,990
– Manufacture and sale of mechanical transmission equipment products	**2,203,973**	529,255
– Others	**15,750**	14,563
	2,238,334	575,808

The carrying amount of contract liabilities of approximately RMB110,802,000 (2019: RMB192,578,000) as at 31 December 2020 is expected not to be realised within the next twelve months from the end of the reporting period.

7 REVENUE *(continued)*

(ii) Liabilities related to contracts with customers *(continued)*

Revenue recognised in relation to brought-forward contract liabilities

The following table shows the revenue recognised in the current reporting period that relates to brought-forward contract liabilities:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
– Property development and sales	5,749	74,156
– Manufacture and sale of mechanical transmission equipment products	431,617	113,235
– Others	43	31,991
	437,409	219,382

8 NET FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Fair value gains/(losses) in financial assets at FVPL *(Note)*	17,465	(2,834,839)
Fair value gains in derivative financial instruments	38,687	9,963
	56,152	(2,824,876)

Note:

The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss for the year ended 31 December 2019 mainly due to the price decrease of 949,224,000 shares of Zall Smart Commerce Group Ltd (2098. SEHK) held by the Group.

9 OTHER INCOME

	Note	2020 RMB'000	2019 RMB'000
Bank interest income	(i)	**76,606**	82,168
Other interest income	(ii)	**64,019**	241,785
Dividend income		**9,668**	154,236
Management fees income	(iv)	**32,551**	111,286
Government grants	(iii)	**185,644**	65,258
Sales of scraps and materials		**73,160**	18,907
Others		**20,246**	–
		461,894	673,640

Note:

(i) Bank interest income is principally derived from restricted cash and cash and cash equivalents.

(ii) Other interest income is principally derived from loans receivables and other financial assets at amortised cost.

(iii) Government grants represented mainly grants from the PRC's local authority to support local companies. There are no unfulfilled conditions or contingencies attaching to these grants.

(iv) Management fees income consist of management fees income for leased shops, carparking fees income and other ancillary service income in relation to leases of property.

10 OTHER LOSSES – NET

	Note	2020 RMB'000	2019 RMB'000
(Losses)/gains on disposal of subsidiaries	48	**(4,058)**	39,098
Fair value gains of investment properties	19	**570,037**	60,829
Losses on disposal of property, plant and equipment		**(4,379)**	(39,399)
Losses on disposal of associates		**(12,388)**	(5,093)
Loss on swap contracts		**(32,960)**	(58,833)
Gain on disposal of a joint venture		**–**	1,469
Gain on disposal of disposal group		**–**	28,237
Impairment losses on property, plant and equipment	18	**(258,892)**	(8,003)
Impairment losses on goodwill	21	**(181,669)**	(54,000)
Impairment losses on prepayments	32	**(20,937)**	(43,123)
Foreign exchange (losses)/gains – net		**(120,600)**	47,770
Others		**–**	4,612
		(65,846)	(26,436)

11 EXPENSES BY NATURE

	Note	2020 RMB'000	2019 RMB'000
Employee benefit expenses:			
Directors' remuneration	13		
– Fees		1,920	1,904
– Salaries, allowances and benefits in kind		1,757	3,097
– Discretionary bonuses		320	465
– Pension scheme contributions		92	100
		4,089	5,566
Other staff costs			
– Salaries and other benefits		1,803,630	1,684,714
– Equity-settled share-based payment expenses *(Note (b))*		547,674	–
– Pension scheme contributions		97,602	117,134
		2,448,906	1,801,848
		2,452,995	1,807,414
Other items:			
Cost of inventories sold		10,724,112	6,816,086
Depreciation of property, plant and equipment	18	485,126	539,740
Cost of properties sold		74,667	160,095
Advertising expenses		68,052	120,620
Office expenses		127,472	139,932
Amortisation of other intangible assets	22	73,124	85,706
Depreciation of right-of-use assets	20(a)	74,166	51,311
Provision for/(reversal of) inventories write-down		37,565	(58,450)
Expenses relating to short-term leases	20(b)	22,143	35,339
Expenses relating to leases of low-value assets	20(b)	2,076	5,494
Auditors' remuneration			
– Audit services		7,750	6,750
– Non-audit services		4,048	2,700
Sundry taxes		93,134	44,350
Others *(Note (a))*		971,144	928,599
Total expenses		15,217,574	10,685,686
Representing:			
– Cost of sales and services		12,736,401	8,858,077
– Selling and distribution expenses		473,300	504,746
– Administrative expenses		942,450	918,625
– Research and development costs		517,749	404,238
– Share-based payment expenses		547,674	–
		15,217,574	10,685,686

11 EXPENSES BY NATURE *(continued)*

Note:

(a) The "Other expenses" items were mainly indirect production expenses, other consulting fees, direct operating expenses incurred for investment properties and technical service fees.

(b) On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海釃福企業管理合夥企業(有限合夥)) (the "Employee Partnership Enterprise"), entered into the capital increase agreement with (i) Nanjing Gear Enterprise Management Co., Ltd* (南京高齒企業管理有限公司) ("Nanjing Gear"), an indirect wholly-owned subsidiary of China High Speed Transmission Equipment Group Co., Ltd* (中國高速傳動設備集團有限公司) ("CHS", a non-wholly owned subsidiary of the Company, together with its subsidiaries as "CHS Group"), and (ii) its direct wholly-owned subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd* (南京高速齒輪製造有限公司) ("Nanjing High Speed"), pursuant to which the Employee Partnership Enterprise agreed to make the capital contribution in an aggregate amount of RMB150,000,000 (the "Contribution") in cash to the registered capital of Nanjing High Speed in return for an approximately 6.98% enlarged equity interest in Nanjing High Speed (the "Capital Increase"). The Capital Increase was completed on 24 December 2020. Since the Employee Partnership Enterprise has been established to incentivise the core employees of CHS Group through holding the equity interest in Nanjing High Speed for and on behalf of certain designated employees of the CHS Group, it is accounted for as a share-based payment transaction.

The share-based payment expenses of RMB547,674,000 recognised in profit or loss was derived from the difference between the proportionate 6.98% interest in fair value of Nanjing High Speed amounting to approximately RMB697,675,000 and the Contribution.

The fair value of Nanjing High Speed at the date of completion of Capital Increase was assessed with reference to the consideration of RMB4,300,000,000 for the proposed disposal of 43% equity interest of Nanjing High Speed to an independent third party on 30 March 2021. Details of the disposal are set out in Note 57.

Details of the Capital Increase are set out in the joint announcement made by the Company and CHS dated 4 December 2020 and the announcement and circular of CHS dated 23 December 2020 and 24 December 2020, respectively.

12 FINANCE COSTS

	Note	**2020** **RMB'000**	2019 RMB'000
Interest on bank and other borrowings		**502,993**	680,387
Interest on corporate bonds	39	**78,367**	165,072
Interest on lease liabilities	20(b)	**23,643**	16,014
Less: Interest capitalised	33	**–**	(34,121)
		605,003	827,352

13 DIRECTORS' REMUNERATION

(i) Directors' emoluments

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020						
Executive directors:						
Mr. Ji Changqun ("Mr. Ji")	(iii)	320	–	–	–	320
Ms. Du Wei		320	1,277	–	46	1,643
Mr. Shen Chen		320	480	320	46	1,166
Independent non-executive directors:						
Mr. Lau Chi Keung		320	–	–	–	320
Mr. Chow Siu Lui		320	–	–	–	320
Mr. Tsang Sai Chung		320	–	–	–	320
		1,920	1,757	320	92	4,089

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019						
Executive directors:						
Mr. Ji	(iii)	317	–	–	–	317
Ms. Du Wei		317	1,297	–	82	1,696
Mr. Shen Chen	(i)	61	80	198	5	344
Mr. Wang Bo	(ii)	258	1,720	267	13	2,258
Independent non-executive directors:						
Mr. Lau Chi Keung		317	–	–	–	317
Mr. Chow Siu Lui		317	–	–	–	317
Mr. Tsang Sai Chung		317	–	–	–	317
		1,904	3,097	465	100	5,566

13 DIRECTORS' REMUNERATION *(continued)*

(i) Directors' emoluments *(continued)*

Note:

(i) Mr. Shen Chen was appointed as an executive director of the Company on 23 October 2019. His annual remuneration for the year ended 31 December 2019 was RMB706,000.

(ii) Mr. Wang Bo resigned as an executive director on 23 October 2019. His annual remuneration for the year ended 31 December 2019 was RMB2,605,000.

(iii) Mr. Ji is the chief executive and executive director of the Company.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration in both years.

(ii) Directors' retirement benefits and termination benefits

No director received or will receive any retirement benefits or termination benefits during the year (2019: Nil).

(iii) Consideration provided to third parties for making available of the directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available of the directors' services (2019: Nil).

(iv) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with the directors.

There is no loan, quasi-loan or other dealing arrangement in favour of the directors, controlled bodies corporate by and controlled entities with the directors (2019: Nil).

(v) Information about directors' interests in share options scheme

During the year ended 31 December 2018, the Group has adopted a share option scheme pursuant to which 3,348,200 share options were granted to Ms. Du Wei. No share option was exercised by Ms. Du Wei and 669,640 share options (2019: 669,640 share options) were cancelled during the year ended 31 December 2020. As at 31 December 2020, 2,008,920 (2019: 2,678,560) share options held by Ms. Du Wei were outstanding. Further details of share options scheme are set out in Note 43.

14 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2019: one director), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the year of the five (2019: the remaining four) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	16,235	8,785
Discretionary bonuses	–	3,485
Share-based payments	135,095	–
Pension scheme contributions	265	210
	151,595	12,480

The bonus payments are discretionary and based on the performance of the individuals for the year and market trends.

The number of highest paid employees (excluding directors or chief executive) whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	3
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	1
HK$30,000,001 to HK$35,500,000	4	–
HK$35,500,001 to HK$40,000,000	1	–
	5	4

During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to the directors, chief executive or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15 INCOME TAX

The Group calculates the income tax expenses/(credit) for the year using the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	2020 RMB'000	2019 RMB'000
Current tax – expenses for the year			
– The PRC		358,462	215,406
– Hong Kong		80,023	16,761
– Australia		16,893	825
– Others		206	–
Current tax – (over)/under provision in respect of prior years		(8,015)	1,261
Deferred tax	41	(46,721)	(603,811)
		400,848	(369,558)

(a) PRC corporate income tax ("CIT")

PRC CIT has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group's PRC subsidiaries, except those listed below, for the year ended 31 December 2020.

The following subsidiaries are qualified as high technology development enterprises and thus subject to a preferential tax rate of 15% for 3 years from the date of approval:

Name of company	Year end during which approval was obtained
Nanjing High Speed	31 December 2020
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.* (南京高精齒輪集團有限公司) ("Nanjing High Accurate")	31 December 2020
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.* (南京高精軌道交通設備有限公司) ("Rail Transportation")	31 December 2020

Note:

The approvals of preferential tax rate of Nanjing High Speed, Nanjing High Accurate and Rail Transportation were issued on 27 December 2017, 17 November 2017 and 7 December 2017 respectively and were all renewed on 2 December 2020. The preferential tax rate was applicable for 3 years when it was first approved by the taxation authority and therefore a 15% preferential tax rate was applied for these subsidiaries in the calculation of CIT for the year ended 31 December 2020.

15 INCOME TAX (continued)

(b) PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

(c) Other corporate income tax

Enterprises incorporated in other places other than the PRC are subject to income tax rates of 8.25% to 30% (2019: 8.25% to 30%) prevailing in the places in which these enterprises operated for the year ended 31 December 2020.

A reconciliation between income tax credit and accounting loss at applicable tax rates is as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax	**(297,432)**	(3,213,676)
Tax at the statutory tax rate of 25%	**(74,358)**	(803,419)
Effect of different tax rates of subsidiaries operating in other jurisdictions and lower tax rate for specific provinces or enacted by local authorities	**(101,355)**	251,220
Effect of share of results of associates and joint ventures	**4,064**	40,578
Income not subject to tax	**(188,474)**	(125,191)
Expenses not deductible for tax	**431,138**	198,412
Tax losses utilised from prior years	**(98,937)**	(109,828)
Tax losses not recognised	**401,475**	82,168
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	14,649
Temporary differences not recognised	**46,899**	24,545
Provision for LAT	**2,632**	50,000
Tax effect for LAT	**(658)**	(12,500)
Additional deductible allowances for research and development expenses recognised in profit or loss in current year	**(35,303)**	(26,849)
Others	**21,740**	45,396
(Over)/under provision in respect of prior years	**(8,015)**	1,261
Income tax expenses/(credit)	**400,848**	(369,558)

16 DIVIDENDS

The board has resolved not to declare a final dividend for the years ended 31 December 2020 and 2019.

17 LOSS PER SHARE

The basic and diluted loss per share attributable to equity shareholders of the Company is calculated as follows:

	2020 **RMB'000**	2019 RMB'000
Loss for the purpose of calculating the basic and diluted loss per share	**(894,305)**	(2,874,192)
Weighted average number of ordinary shares in issue	**19,687,870,331**	19,714,075,497
Basic and diluted loss per share	**RMB(0.045)**	RMB(0.146)

There were no potential dilutive ordinary shares outstanding due to outstanding share options for the years ended 31 December 2020 and 2019. For the years ended 31 December 2020 and 2019, the weighted average numbers of ordinary shares in issue were adjusted by 17,521,400 shares which is held for the Group's share award scheme (Note 43).

18 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Freehold lands and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019							
Cost	328,240	2,166,375	4,944,862	282,838	330,245	1,429,909	9,482,469
Accumulated depreciation and impairments	(51,417)	(375,148)	(3,332,163)	(186,131)	(213,665)	(12,172)	(4,170,696)
Net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773
For the year ended 31 December 2019							
Opening net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773
Additions	8,418	151,605	576,580	20,572	62,601	15,009	834,785
Transferred from properties under development *(Note 33)*	–	–	–	–	–	12,706	12,706
Acquisition of assets through acquisition of subsidiaries	–	80,968	88,885	972	599	5,696	177,120
Depreciation for the year *(Note 11)*	(7,473)	(66,820)	(416,801)	(22,007)	(26,639)	–	(539,740)
Disposal of subsidiaries	–	–	–	(225)	(531)	–	(756)
Disposals	–	(7,502)	(53,947)	(4,372)	(2,326)	–	(68,147)
Exchange differences	1,888	3,740	352	452	53	(3)	6,482
Provision for impairments *(Note 10)*	–	–	–	–	–	(8,003)	(8,003)
Closing net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220
At 31 December 2019							
Cost	338,546	2,430,034	5,508,937	280,274	381,045	1,460,469	10,399,305
Accumulated depreciation and impairments	(58,890)	(476,816)	(3,701,169)	(188,175)	(230,708)	(17,327)	(4,673,085)
Net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Hotel properties RMB'000	Freehold lands and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020							
Cost	338,546	2,430,034	5,508,937	280,274	381,045	1,460,469	10,399,305
Accumulated depreciation and impairments	(58,890)	(476,816)	(3,701,169)	(188,175)	(230,708)	(17,327)	(4,673,085)
Net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220
For the year ended 31 December 2020							
Opening net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220
Additions	6,481	27,119	405,643	34,296	49,809	84,553	607,901
Acquisition of assets through acquisition of a subsidiary *(Note 47)*	–	–	–	50	163	–	213
Depreciation for the year *(Note 11)*	(6,603)	(72,336)	(344,543)	(26,691)	(34,953)	–	(485,126)
Disposal of subsidiaries *(Note 48)*	–	–	–	(435)	(228)	(15,782)	(16,445)
Disposals	–	(3,530)	(25,313)	(3,431)	(11,011)	–	(43,285)
Exchange differences	8,494	16,225	(152)	(20,791)	1,134	388	5,298
Provision for impairments *(Note 10)*	–	(193,818)	(8,603)	(312)	–	(56,159)	(258,892)
Closing net carrying amount	288,028	1,726,878	1,834,800	74,785	155,251	1,456,142	5,535,884
At 31 December 2020							
Cost	355,692	2,462,827	5,736,940	264,125	404,123	1,532,478	10,756,185
Accumulated depreciation and impairments	(67,664)	(735,949)	(3,902,140)	(189,340)	(248,872)	(76,336)	(5,220,301)
Net carrying amount	288,028	1,726,878	1,834,800	74,785	155,251	1,456,142	5,535,884

Depreciation of property, plant and equipment has been charged to profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Cost of sales and services	**438,682**	433,932
Selling and distribution expenses	**2,080**	3,505
Administrative expenses	**29,132**	87,402
Research and development costs	**15,232**	14,901
	485,126	539,740

The Group was in the process of obtaining property certificates for buildings with carrying amount of RMB537,980,000 (2019: RMB1,035,159,000) at the end of the reporting period.

The freehold lands are located in the United State of America and Australia.

As at 31 December 2020, property, plant and equipment with carrying amount of RMB1,002,598,000 (2019: RMB1,902,164,000) were pledged as collateral for the Group's borrowings (Note 53).

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As a result of the changes in the current economic environment related to the COVID-19 outbreak, the Group is experiencing negative conditions in its tourism segment in Australia including sharp decrease in revenue due to quarantine measure as well as travel restrictions imposed by many countries and the economic downturn, which indicate that the relevant property, plant and equipment may be impaired. During the year ended 31 December 2020, the Group performed impairment testing and recognised an impairment loss of RMB193,818,000 (2019: Nil) related to land used for development of resort based on valuation performed by Knight Frank Valuation & Advisory, an independent professional qualified valuer by direct comparison approach with reference to sale price of similar sites. In addition, an impairment loss of RMB65,074,000 was recognised (2019: RMB8,003,000) for certain obsolete property, plant and equipment in new energy CGU. Impairment loss was included in "Other losses – net" in the consolidated statement of profit or loss.

19 INVESTMENT PROPERTIES

	Note	**2020** **RMB'000**	2019 RMB'000
Carrying amount at 1 January		**4,019,290**	4,103,960
Acquisition of assets through acquisition of a subsidiary	47	**384,826**	–
Transfer from properties held for sale		**7,193**	–
Fair value gains recognised in profit or loss	10	**570,037**	60,829
Disposals		**(22,947)**	(145,499)
Carrying amount at 31 December		**4,958,399**	4,019,290

Rental income and operating expense arising from leasing of investment properties are as follows:

	2020 **RMB'000**	2019 RMB'000
Fixed rental income received	**211,863**	231,342
Direct operating expenses from investment properties that generated rental income	**(41,468)**	(39,296)

The Group's investment properties consist of three shopping malls, five commercial properties and offices (2019: two shopping malls, five commercial properties and offices) in the PRC. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Vocation (Beijing) International Asset Valuation Co., Ltd (2019: Avista Valuation Advisory Limited), an independent professional qualified valuer. The valuations were either based on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows ("Discounted cash flow method"), or made with reference to comparable market transactions taking into considerations adjustments to reflect differences in transaction timing, location and tenure ("Market approach"),whichever is appropriate. The valuation technique of certain investment properties were changed from Discounted cash flow method/term and reversion method in 2019 to Market approach in 2020 as in the opinion of the directors, the change in the valuation technique is more representative of fair value for those investment properties.

The investment properties are leased to independent third parties under operating leases, details of which are included in Note 52(i) to the consolidated financial statements.

19 INVESTMENT PROPERTIES *(continued)*

As at 31 December 2020, the Group's investments properties with carrying amount of RMB4,918,918,000 (2019: RMB3,938,321,000) were mortgaged as collateral for the Group's borrowings (Notes 38 and 53) and connected person's borrowings (Note 55(iii)(a)).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2020			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
– Shopping malls	**–**	**–**	**4,404,682**	**4,404,682**
– Commercial properties	**–**	**–**	**174,359**	**174,359**
– Offices	**–**	**–**	**379,358**	**379,358**
	–	**–**	**4,958,399**	**4,958,399**

	31 December 2019			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
– Shopping malls	–	–	3,492,000	3,492,000
– Commercial properties	–	–	176,000	176,000
– Offices	–	–	351,290	351,290
	–	–	4,019,290	4,019,290

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Name of the investment properties	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Yuhua Salon (雨花客廳) A1 (certain units)	Combination of market approach and discounted cash flow method (2020)	Price per sq.m.	**RMB19,372**	N/A
		Discount rate	**7%**	N/A
	Term and reversion method (2019)	Estimated rental value (per sq.m. and per month)	**N/A**	RMB66 to RMB128
		Long term vacancy rate	**N/A**	0%
		Reversionary yield rate	**N/A**	5.50% – 6%
Wonder City (虹悅城)	Combination of Market approach and discounted cash flow method (2020)	Price per sq.m.	**RMB11,700 to RMB25,400**	N/A
		Discount rate	**7%**	N/A
	Discounted cash flow (2019)	Estimated rental value (per sq.m. and per month)	**N/A**	RMB176 to RMB299
		Rent growth (p.a.)	**N/A**	3% to 5%
		Long term vacancy rate	**N/A**	0%
		Discount rate	**N/A**	9%
Nantong Youshan Meidi Garden Project/Huitong Building/Zhejiang Youshan Meidi Garden Project (南通優山美地花園項目/匯通大廈項目/鎮江優山美地花園項目)	Market approach (2020)	Price per sq.m.	**RMB5,385 to RMB8,149**	N/A
	Term and reversion method (2019)	Estimated rental value (per sq.m. and per month)	**N/A**	RMB12 to RMB94
		Long term vacancy rate	**N/A**	10%
		Reversionary yield rate		4% – 5%
Epark Shopping Mall (雨花客廳)	Market approach (2020)	Price per sq.m.	**RMB19,560**	N/A
	Term and reversion method (2019)	Estimated rental value (per sq.m. and per month)	**N/A**	RMB11 to RMB630
		Long term vacancy rate	**N/A**	0%
		Reversionary yield rate	**N/A**	11%
WanGuo (萬國物業)	Market approach	Price per sq.m.	**RMB6,100**	RMB5,800
Happy Plaza (歡樂廣場)	Market approach	Price per sq.m.	**RMB4,700 to RMB25,400**	N/A

19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

For the year ended 31 December 2020, the fair value measurement is positively correlated to the price per sq.m. and negatively correlated to the discount rates.

For the year ended 31 December 2019, the fair value measurement is positively correlated to the rent growth rate and negatively corelated to the discount rate.

20(a) RIGHT-OF-USE ASSETS

	Leasehold buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
At 1 January 2019			
Cost	207,521	1,268,686	1,476,207
Accumulated depreciation	–	(95,748)	(95,748)
Net carrying amount	207,521	1,172,938	1,380,459
For the year ended 31 December 2019			
Opening net book amount	–	–	–
Changes in accounting policy	207,521	1,172,938	1,380,459
Additions	194,799	88,753	283,552
Acquisition of subsidiaries	–	45,460	45,460
Depreciation for the year *(Note 11)*	(25,530)	(25,781)	(51,311)
Exchange differences	9,310	(4)	9,306
Closing net carrying amount	386,100	1,281,366	1,667,466
At 31 December 2019			
Cost	412,015	1,408,167	1,820,182
Accumulated depreciation	(25,915)	(126,801)	(152,716)
Net carrying amount	386,100	1,281,366	1,667,466

20(a) RIGHT-OF-USE ASSETS *(continued)*

	Leasehold buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
At 1 January 2020			
Cost	412,015	1,408,167	1,820,182
Accumulated depreciation	(25,915)	(126,801)	(152,716)
Net carrying amount	386,100	1,281,366	1,667,466
For the year ended 31 December 2020			
Opening net book amount	386,100	1,281,366	1,667,466
Additions	2,931	13,688	16,619
Disposals	–	(4,611)	(4,611)
Disposal of a subsidiary *(Note 48)*	–	(132,771)	(132,771)
Depreciation for the year *(Note 11)*	(44,893)	(29,273)	(74,166)
Transferred to properties held for sale	–	(78,551)	(78,551)
Exchange differences	4,044	(774)	3,270
Closing net carrying amount	348,182	1,049,074	1,397,256
At 31 December 2020			
Cost	421,958	1,192,662	1,614,620
Accumulated depreciation	(73,776)	(143,588)	(217,364)
Net carrying amount	348,182	1,049,074	1,397,256

At 31 December 2020, the Group is in the process of obtaining certain land use rights certificates in respect of leasehold lands located in the PRC with a carrying amount of RMB141,361,000 (2019: RMB505,365,000).

As at 31 December 2020, right-of-use assets with carrying amount of RMB146,068,000 (2019: RMB254,658,000) were secured as collateral for the Group's borrowings (Note 53).

The depreciation of right-of-use assets has been charged to administrative expenses in profit or loss.

20(b) LEASES

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

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

The consolidated statement of financial position shows the following amounts relating to the leases:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Leasehold buildings	**348,182**	386,100
Leasehold lands	**1,049,074**	1,281,366
	1,397,256	1,667,466
Lease liabilities		
Current	**45,611**	39,808
Non-current	**371,802**	404,855
	417,413	444,663

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Note	**2020 RMB'000**	2019 RMB'000
Depreciation charges of right-of-use assets			
Leasehold buildings		**44,893**	25,530
Leasehold lands		**29,273**	25,781
	11	**74,166**	51,311
Interest expense (included in finance costs)	12	**23,643**	16,014
Expenses relating to short-term leases that are not included in short-term leases (included in cost of sales and services, selling and distribution expenses and administrative expenses)	11	**22,143**	35,339
Expenses relating to leases of low-value assets that are not included in short-term leases (included cost of sales and services, selling and distribution expenses, administrative expenses and research and development costs)	11	**2,076**	5,494
		122,028	108,158

The total cash outflow for capital element and interest element of lease rental paid during the year ended 31 December 2020 was RMB63,005,000 (2019: RMB37,309,000).

20(b) LEASES *(continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various leasehold lands and buildings. Rental contracts are typically made for fixed periods of 1 year to 50 years, but may have extension options as described in (iv) below.

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.

(iv) Extension and termination options

Extension and termination options are included in a number of properties leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

21 GOODWILL

	Note	RMB'000
Cost at 1 January 2019, net of accumulated impairment		2,043,033
Acquisitions of subsidiaries		97,666
Impairment losses recognised during the year	10	(54,000)
Exchange differences		2,731
Net carrying amount at 31 December 2019		2,089,430
At 31 December 2019:		
Cost		2,173,662
Accumulated impairment		(84,232)
Net carrying amount		2,089,430
Cost at 1 January 2020, net of accumulated impairment		**2,089,430**
Impairment losses recognised during the year	10	**(181,669)**
Exchange differences		**5,397**
Net carrying amount at 31 December 2020		**1,913,158**
At 31 December 2020:		
Cost		**2,185,381**
Accumulated impairment		**(272,223)**
Net carrying amount		**1,913,158**

21 GOODWILL *(continued)*

Note:

(i) Impairment testing of goodwill

After a series of acquisitions, the Group formed certain diversified operations, including manufacturing and selling of mechanical transmission equipment products in the PRC, provision of investment and financial consulting services in Hong Kong, and provision of education services in Australia. The Group monitors the results of these businesses separately for the purpose of making decision about resources allocation and performance. Goodwill acquired through these acquisitions is allocated to the following CGUs for impairment testing:

- New energy CGU;
- Investment and financial consulting services CGU; and
- Education CGU

(a) New energy CGU

At 31 December 2020, the recoverable amount of the new energy CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.10% (2019: 11.18%). The growth rate used to extrapolate the cash flows of the new energy CGU beyond the five-year period is 2% (2019: 3%), which was the same as the long term average growth rate of the gear products industry.

Based on the assessment, no goodwill as at 31 December 2020 and 2019 was impaired and there was sufficient headroom available as at 31 December 2020. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective CGU.

(b) Investment and financial consulting services CGU

At 31 December 2020, the recoverable amount of investment and financial consulting service CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.30% (2019: 17.30%). The growth rate used to extrapolate the cash flows of investment and financial consulting services CGU beyond the five-year period is 3% (2019: 3%), which was the same as the long term average growth rate of the industry.

During the year ended 31 December 2020, the Group recognised an impairment loss of RMB35,319,000 (2019: RMB54,000,000) in relation to goodwill of investment and financial consulting services CGU. Since the competition of the industry was keen and the business was adversely affected by the economic downturn, the operating performance and the growth rate were below the expectation, which resulted in a continuous operating loss. In addition, the expected synergy effect with the Group's other business did not happen. Accordingly, management provided impairment for both years ended 31 December 2020 and 2019.

(c) Education CGU

At 31 December 2020, the recoverable amount of education CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is ranging from 10.99% to 11.42% (2019: 11.39%). The growth rate used to extrapolate the cash flows of education CGU beyond the five-year period is ranging from 2% to 3.50% (2019: 1.30%), which was the same as the long term average growth rate of the industry.

21 GOODWILL *(continued)*

Note: (continued)

(i) Impairment testing of goodwill *(continued)*

(c) Education CGU *(continued)*

During the first half of 2020, the outbreak of novel coronavirus epidemic (the "COVID-19 outbreak") have had negative impacts to the economy and resulted in more health concerns for the children, the operating performance and the growth rate were below the expectation. The management considered there may be an indicator for impairment and reassessed the recoverable amounts by using revised cash flow projections. In view that the value-in-use is lower than the carrying value, the Group recognised an impairment loss of RMB146,350,000 (2019: Nil) was therefore recognised in relation to goodwill of education CGU during the interim period. The spread of COVID-19 was gradually under control by the regional effective prevention measures. In addition, with the government's advocate of early education, the operating performance improved more than expected in the second half of year 2020. Accordingly, no further impairment was made. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(ii) Summary of the allocation of goodwill

As at 31 December 2020, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education RMB'000	**New energy RMB'000**	**Investment and financial consulting services RMB'000**	**Total RMB'000**
Carrying amount of goodwill	**420,670**	**1,492,488**	**–**	**1,913,158**

As at 31 December 2019, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education RMB'000	New energy RMB'000	Investment and financial consulting services RMB'000	Total RMB'000
Carrying amount of goodwill	561,623	1,492,488	35,319	2,089,430

22 OTHER INTANGIBLE ASSETS

	Patents and technologies RMB'000	Deferred development costs RMB'000	Customer relationship RMB'000	Licenses RMB'000	Total RMB'000
At 1 January 2019					
Cost	156,489	650,522	540,000	22,205	1,369,216
Accumulated amortisation	(31,591)	(635,697)	(112,500)	(2,805)	(782,593)
Net carrying amount	124,898	14,825	427,500	19,400	586,623
For the year ended 31 December 2019					
Opening net carrying amount	124,898	14,825	427,500	19,400	586,623
Additions	4,647	–	–	–	4,647
Charge for the year *(Note 11)*	(16,033)	(14,825)	(54,000)	(848)	(85,706)
Closing net carrying amount	113,512	–	373,500	18,552	505,564
At 31 December 2019 and 1 January 2020					
Cost	161,136	650,522	540,000	22,205	1,373,863
Accumulated amortisation	(47,624)	(650,522)	(166,500)	(3,653)	(868,299)
Net carrying amount	113,512	–	373,500	18,552	505,564
For the year ended 31 December 2020					
Opening net carrying amount	113,512	–	373,500	18,552	505,564
Additions	2,340	–	–	–	2,340
Disposal of a subsidiary *(Note 48)*	(4,766)	–	–	–	(4,766)
Charge for the year *(Note 11)*	(17,485)	–	(54,000)	(1,639)	(73,124)
Closing net carrying amount	93,601	–	319,500	16,913	430,014
At 31 December 2020					
Cost	158,710	650,522	540,000	22,205	1,371,437
Accumulated amortisation	(65,109)	(650,522)	(220,500)	(5,292)	(941,423)
Net carrying amount	93,601	–	319,500	16,913	430,014

The amortisation of intangible assets has been charged to profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Administrative expenses	73,124	70,881
Research and development costs	–	14,825
	73,124	85,706

23 INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**398,865**	387,025

	Note	2020 RMB'000	2019 RMB'000
At 1 January		**387,025**	1,060,904
Additional investments	(ii)	**7,500**	167,000
Return of contributions from existing joint ventures	(iii)	**–**	(392,279)
Disposal of joint ventures	(i),(ii)	**(7,100)**	(186,836)
Share of results of joint ventures		**6,513**	(247,432)
Provision for impairments included in share of results for the year		**–**	(4,615)
Unrealised profit		**11,629**	–
Exchange differences		**(6,702)**	(9,717)
At 31 December		**398,865**	387,025

Note:

(i) During the year ended 31 December 2019, the Group disposed of its equity interest in Jiangsu An Rhonda Health Industry Development Co., Ltd. ("An Rhonda") (江蘇安朗達健康產業發展有限公司) to a third party, for a consideration of RMB177,505,000 and resulting in gain on disposal of RMB1,469,000. The consideration has been received in full in 2019.

During the year ended 31 December 2019, the Group disposed of its equity interest in Shandong Nengyuan Zhongzhuang Jituan Zhong Chuan Kuangyong Equipment Manufacturing Co., Ltd. (山東能源重裝集團中傳礦用設備製造有限公司) to a third party for a consideration of RMB10,800,000. The disposal resulted no gain nor loss. The consideration has been received in full in 2019.

(ii) During the year ended 31 December 2020, the Group acquired 50% equity interest in a joint venture for a consideration of RMB7,500,000. The joint venture was subsequently disposed of together with the disposal of Five Seasons XXV Limited ("Five Seasons XXV"), the subsidiary of the Group indirectly holding the joint venture. Details of the disposal of Five Seasons XXV are set out in Note 48.

During the year ended 31 December 2019, the Group purchased 30% equity interest of Lianyungang Shenfeng Property Company Limited (連雲港順豐房地產有限公司) from an independent third party for a consideration of RMB167,000,000.

(iii) In October 2019, the Group received a return of contributions of US$55,377,000 (equivalent to RMB392,279,000) from its joint venture, Fullshare Value Fund I L.P.

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(i) Summarised financial information for material joint ventures

Name	Registered capital	Place of registration and business	Percentage of ownership or interest attributable to the Group	Principal activities	Carrying amount 2020 RMB'000	Carrying amount 2019 RMB'000
Fullshare Value Fund I L.P. ("FVF I L.P.")	Registered capital of US$239,827,000	Hong Kong	50.39	Investment	101,438	100,652
Nanjing High Accurate construction Equipment Co., Ltd. (南京高精工程設備有限公司) ("Nanjing Construction")	Registered capital of RMB20,000,000	PRC	50.00	Metallurgical engineering and manufacturing	129,228	111,210
Lianyungang Shunfeng Property Company Limited (連雲港順豐房地產有限公司) ("Liangyanggang Shunfeng")	Registered capital of RMB378,000,000	PRC	30.00	Development and sale of properties, and provision of construction related services	168,199	175,163

	FVF I L.P.		Nanjing Construction		Liangyanggang Shunfeng	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets						
Cash and cash equivalents	**1**	3	**282,815**	77,744	**72,997**	124,125
Other current assets	**25,315**	12,024	**816,596**	566,368	**798,363**	643,286
Total current assets	**25,316**	12,027	**1,099,411**	644,112	**871,360**	767,411
Total non-current assets	**175,997**	188,605	**1,845**	2,505	**418**	516
Total current liabilities	**(7)**	(886)	**(842,800)**	(424,198)	**(311,115)**	(184,050)
Net assets	**201,306**	199,746	**258,456**	222,419	**560,663**	583,877
The Group's effective interest	**50.39%**	50.39%	**50.00%**	50.00%	**30.00%**	30.00%
Carrying amount	**101,438**	100,652	**129,228**	111,210	**168,199**	175,163
Revenue	**14,860**	17,574	**744,448**	452,278	**79,132**	564,687
Income tax credit/(expenses)	**–**	16,759	**(8,703)**	(4,911)	**(19,219)**	(6,796)
Profit/(loss) for the year	**14,860**	(547,876)	**36,036**	34,627	**(61,976)**	27,209
The Group's share of results for the year	**7,488**	(276,074)	**18,018**	17,314	**(18,593)**	8,163

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(ii) Individually immaterial joint ventures

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying value of investments	–	–
Aggregate amounts of the Group's share of:		
– Loss for the year	(400)	(1,450)
– Total comprehensive loss for the year	(400)	(1,450)

24 INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	1,548,425	1,523,176
Goodwill on acquisition	306,412	318,509
Financial guarantees granted to an associate *(Note 51(ii))*	37,016	37,016
Provision for impairments	(184,777)	(153,917)
	1,707,076	1,724,784

	Note	2020 RMB'000	2019 RMB'000
At 1 January		1,724,784	1,741,240
Additional investments	(i)	77,593	4,000
Share of results of associates		3,765	89,503
Additional financial guarantees granted to an associate		–	16,461
Disposal of associates	(ii)	(50,548)	(36,642)
Share of other comprehensive income/(loss) of associates		1,839	(50,392)
Provision for impairments included in share of results for the year		(30,860)	(13,457)
Dividends received from associates		(15,000)	(21,800)
Exchange differences		(4,497)	(4,129)
At 31 December		1,707,076	1,724,784

Note:

(i) During the year ended 31 December 2020, upon loss of right to appoint majority composition of the board of directors, the Group has lost control in Tianjin Chuanzai Jingtong Financial Leasing Co., Ltd ("Tianjin Chuanzai") (天津市傳載精通融資租賃有限公司). Tianjin Chuanzai was then ceased to be a subsidiary of the Group and accounted for as an associate. Details of deemed disposal of Tiajin Chuanzai are set out in Note 49.

During the year ended 31 December 2019, the Group purchased 40% equity interest in Zhejiang Lujing Shidai Investment management Co., Ltd (浙江綠境時代投資管理有限公司) from an independent third party for a consideration of RMB4,000,000.

(ii) During the year ended 31 December 2020, the Group disposed of its 35% equity interest in Nanjing Jiansheng Real Estate Development Company Limited ("Jiansheng") (南京建盛房地產開發有限公司) to an independent third party for a consideration of RMB38,160,000 and resulting in a loss on disposal of RMB12,388,000.

During the year ended 31 December 2019, the Group disposed of its 10% equity interest in Shandong Energy Group Unitrust Finance Leasing Co., Ltd. (山東能源重裝集團恒信融資租賃有限公司) to an independent third party for a consideration of US$4,700,000 (equivalent to RMB31,549,000) and resulting in a loss on disposal of RMB5,093,000.

24 INVESTMENTS IN ASSOCIATES (continued)

(i) Summarised financial information for material associates

Name	Issued shares/ registered capital	Place of incorporation/ registration and business	Percentage of ownership or interest attributable to the Group	Principal activities	Carrying amount 2020 RMB'000	Carrying amount 2019 RMB'000
Changzhou Jiangheng Real Estate Development Co. Ltd. (常州江恒房地產開發有限 公司) ("Jiangheng")	Ordinary shares of RMB1,881,540,000	PRC	44.00	Property development	1,040,326	1,045,950
Hin Sang Group (International) Holding Co. Ltd. ("Hin Sang")	Ordinary shares of HK$109,350,000	Cayman Islands/ Hong Kong	22.86	Development and sale of healthcare products	121,684	145,030
Nanjing Jiansheng	Registered capital of RMB50,000,000	PRC	Nil (2019: 35.00)	Property development	–	50,548
Zhongbang Finance Leasing (Jiangsu) Co., Ltd. (眾邦融資租賃(江蘇)股份有限公司) ("Zhongbang Finance Leasing")	Registered capital of RMB500,000,000	PRC	37.21	Finance leasing	109,509	121,903
Yangzhou Hengfu Real Estate Development Co. Ltd. (揚州恒富房地產開發有限公司) ("Hengfu")	Ordinary shares of RMB36,364,000	PRC	45.00	Property development	292,237	267,343
Tianjin Chuanzai	Registered capital of USD29,800,000	PRC	46.96 (2019: N/A)	Rendering of finance lease services	77,593	–

Hin Sang is a company listed on SEHK (06893.SEHK). The fair value of the listed investment as at 31 December 2020 amounted to RMB121,684,000 (2019: RMB145,030,000).

24 INVESTMENTS IN ASSOCIATES *(continued)*

(i) Summarised financial information for material associates *(continued)*

	Hengfu		Jiangheng		Zhongbang Finance Leasing		Hin Sang		Jiansheng		Tianjin Chuanzai	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Current assets												
Cash and cash equivalents	**40,965**	144,539	**493,852**	189,257	**14,724**	129	**9,683**	23,340	**–**	34,003	**7**	–
Other current assets	**1,567,424**	1,049,848	**3,988,268**	2,803,098	**36,153**	104,924	**32,298**	55,245	**–**	944,917	**166,664**	–
Total current assets	**1,608,389**	1,194,387	**4,482,120**	2,992,355	**50,877**	105,053	**41,981**	78,585	**–**	978,920	**166,671**	–
Non-current assets	**39,557**	136,558	**568**	108,967	**255,835**	277,948	**537,550**	498,501	**–**	14,735	**–**	–
Current liabilities	**(1,000,209)**	(506,152)	**(2,353,249)**	(890,025)	**(12,412)**	(55,393)	**(87,027)**	(157,717)	**–**	(849,233)	**(1,438)**	–
Non-current liabilities	**–**	(232,376)	**–**	(69,077)	**–**	–	**(206,210)**	(80,885)	**–**	–	**–**	–
Net assets	**647,737**	592,417	**2,129,439**	2,142,220	**294,300**	327,608	**286,294**	338,484	**–**	144,422	**165,233**	–
The Group's effective interest	**45.00%**	45.00%	**44.00%**	44.00%	**37.21%**	37.21%	**22.86%**	22.86%	**–**	35.00%	**46.96%**	–
The Group's share of net assets	**291,482**	266,588	**936,953**	942,577	**109,509**	121,903	**65,447**	77,377	**–**	50,548	**77,593**	–
Goodwill on acquisition	**755**	755	**103,373**	103,373	**–**	–	**195,574**	207,671	**–**	–	**–**	–
Exchange differences	**–**	–	**–**	–	**–**	–	**13,330**	442	**–**	–	**–**	–
Carrying amount before impairment	**292,237**	267,343	**1,040,326**	1,045,950	**109,509**	121,903	**274,351**	285,490	**–**	50,548	**77,593**	–
Impairment loss for investment in associate	**–**	–	**–**	–	**–**	–	**(152,667)**	(140,460)	**–**	–	**–**	–
Carrying amount	**292,237**	267,343	**1,040,326**	1,045,950	**109,509**	121,903	**121,684**	145,030	**–**	50,548	**77,593**	–
Revenue	**2,086,232**	612,978	**778,004**	606,860	**4,089**	3,319	**119,129**	122,818	**–**	554,815	**–**	–
Income tax (expenses)/credit	**(75,053)**	–	**–**	(33,635)	**8,591**	(88)	**(186)**	(4,014)	**–**	(26,810)	**–**	–
Profit/(loss) for the year	**55,320**	63,500	**(12,783)**	80,868	**(33,306)**	(1,690)	**(35,682)**	131	**–**	75,211	**(1)**	–
The Group's share of profit/(loss) for the year	**24,894**	28,575	**(5,624)**	35,582	**(12,394)**	(629)	**(8,157)**	30	**–**	26,324	**–**	–
Impairment loss recognised for the year	**–**	–	**–**	–	**–**	–	**(12,207)**	–	**–**	–	**–**	–
The Group's share of results for the year	**24,894**	28,575	**(5,624)**	35,582	**(12,394)**	(629)	**(20,364)**	30	**–**	26,324	**–**	–

24 INVESTMENTS IN ASSOCIATES *(continued)*

(ii) **The following table illustrates the aggregate financial information of the Group's associates that are not individually material:**

	2020 RMB'000	2019 RMB'000
Share of the results of the associates for the year	(13,607)	(13,836)

	2020 RMB'000	2019 RMB'000
Aggregate carrying value of investments	65,727	94,010
Aggregate amounts of the Group's share of:		
– Loss for the year	(13,607)	(13,836)
– Total comprehensive loss for the year	(13,607)	(13,836)

25 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments as at the end of the reporting period:

	Note	2020 RMB'000	2019 RMB'000
Financial assets			
Restricted cash	35	1,670,336	2,731,254
Cash and cash equivalents	35	2,490,570	2,797,003
Consideration receivables	28(ii)	129,896	183,678
Loans receivables	28(i)	1,658,704	2,754,011
Trade receivables	31	3,161,080	2,465,152
Other receivables	28(iii)	1,879,140	2,583,684
Other financial assets at amortised cost	28(iv)	1,045,689	1,273,232
Financial assets at fair value through other comprehensive income	27	6,570,269	6,323,866
Financial assets at fair value through profit or loss	26	1,694,092	2,128,787
		20,299,776	23,240,667
Financial liabilities			
Corporate bonds	39	–	2,421,753
Bank and other borrowings	38	7,217,132	7,730,417
Trade and bills payables	36	6,797,908	6,090,338
Other payables and accruals	37	2,779,029	3,116,778
Lease liabilities	20(b)	417,413	444,663
Derivative financial instruments	29	43,362	59,952
		17,254,844	19,863,901

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVPL comprise:

- Equity investments that are held for trading;
- Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI; and
- Other non-equity investments that do not qualify for measurement at either amortised cost or FVOCI.

	Note	**2020 RMB'000**	2019 RMB'000
Non-current assets			
Derivative financial instruments	(i),(v)	**40,179**	588,517
Unlisted equity investments	(vi)	**340,000**	–
		380,179	588,517
Current assets			
Listed equity investments	(ii)	**369,326**	829,383
Unlisted equity investments	(vi)	**439,273**	465,466
Trade receivables measured at FVPL	(iii)	**185,269**	86,340
Unlisted debt investments		**–**	1,500
Structured bank deposits	(iv)	**320,045**	157,581
		1,313,913	1,540,270
		1,694,092	2,128,787

Note:

(i) On 31 August 2017, the Group entered into a limited partnership agreement (the "Agreement") with Ningbo Zhongbang Chanrong Holding Co., Ltd. (寧波眾邦產融控股有限公司) ("Ningbo Zhongbang") and Ningbo Jingbang Asset Management Co., Ltd (寧波靖邦資產管理有限公司) in respect of the establishment of an investment fund in the PRC named Shanghai Guiman Enterprise Management L.P. (上海圭蔓企業管理合夥企業(有限合夥)) (the "Guiman Fund"). The Group is a limited partner and has invested RMB500,000,000 in the Guiman Fund. As mentioned in the Agreement, the Group would not bear any loss of Guiman Fund and was guaranteed with an annualised return rate not less than 9% during the 3-year investment period. If the Group does not withdraw from the partnership at the end of 3-year investment period, the profit or loss attributable to the Group afterwards shall be negotiated separately.

The separate derivative derived from the investment in Guiman Fund was measured at FVPL because the investment income would be guaranteed by the other limited partner, Ningbo Zhongbang, due to the accumulated losses of Guiman Fund as at 31 December 2019. The fair value of the derivative was RMB541,900,000 as at 31 December 2019.

On 4 August 2020, the Group entered into an agreement (the "Guiman Fund Agreement") with Guiman Fund and all partners of Guiman Fund in respect of the Group's withdrawal from the partnership and Ningbo Zhongbang would then acquire the respective capital contribution from the Group. At 31 December 2020, the balance of RMB149,000,000 has yet been received and included in other receivables. The balance was fully received subsequent to the end of the reporting period.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Note: (continued)

(ii) The balances as at 31 December 2020 and 2019 represented the fair values of equity shares of a portfolio of Hong Kong listed securities based on the closing prices of these securities quoted on SEHK on that date. The directors of the Company consider that the closing prices of these securities are the fair values of these investments.

	2020	2019
	RMB'000	RMB'000
Zall Group (2098.SEHK)	**351,453**	645,482
C&D International Investment Group Limited (1908.SEHK)	**–**	145,142
China Saite Group Company Limited (153.SEHK)	**16,661**	26,877
Medicskin Holdings Limited (8307.SEHK)	**–**	11,882
Nanjing Sample Technology Company Limited (1708.SEHK)	**1,212**	–
	369,326	829,383

(iii) Trade receivables measured at FVPL

In 2018 and 2020, the Group entered into several agreements with two banks to sell all of its eligible trade receivables under certain customers and all right, title, interest and benefit the Group has in each such eligible trade receivables on a non-recourse basis without the need for any further action or documentation on the part of the Group or banks, at a discount calculated based on the base rate and number of days for early payment as specified in the agreements.

At 31 December 2020, such trade receivables that are held solely for selling purpose amounting to RMB185,269,000 (2019: RMB86,340,000) were classified as financial assets at FVPL. For the year ended 31 December 2020, fair value changes of RMB919,000 (2019: RMB664,000) was recognised in "Net fair value changes in financial instruments".

(iv) Structured bank deposits

At 31 December 2020, structured bank deposits of RMB320,045,000 (2019: RMB157,581,000) represented financial instruments placed by the Group to three (2019: two) banks in the PRC for a term within one year. The contract guarantees principal and proceeds are related to the performance of exchange rate, interest rate or stock index on the market. Structured bank deposits amounted to RMB320,045,000 (2019: RMB104,176,000) were redeemed subsequent to the end of reporting period.

(v) Derivative financial instruments

Pursuant to the sale and purchase agreement entered into between Fullshare Investment Management II Limited, the general partner of Fullshare Value Fund I (A) L.P., a joint venture of the Group and the purchaser dated 30 August 2019 ("GSH Disposal Agreement"). Details of transaction are disclosed in contingent liabilities in Note 51 (iii), the Company is entitled to 23% of the distributable proceeds, if any, after the qualifying transactions as specified in the GSH Disposal Agreement ("Qualifying Transactions") are completed. At 31 December 2020, the Qualifying Transactions have not been completed. The separate derivative associated with GSH Disposal Agreement was measured at FVPL amounting to RMB40,179,000 (2019: RMB46,617,000).

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Note: (continued)

(vi) Unlisted equity investments

In December 2020, the Group entered into three limited partnership agreements in respect of the establishment of partnerships in the PRC. Pursuant to the limited partnership agreements, the Group contributed RMB120,000,000, RMB120,000,000 and RMB100,000,000 respectively as a limited partner, which had been paid up by the Group to the partnerships. As at 31 December 2020, these investments had an aggregate fair value of RMB340,000,000.

The remaining amounts included the unlisted equity investments with individual amount less than RMB500,000,000.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprise:

- Equity investments which are not held for trading, and the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant; and

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial asset.

	Note	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Listed equity investments	(i)	**287,198**	473,556
Unlisted equity investments	(ii)	**2,778,871**	2,969,742
		3,066,069	3,443,298
Current assets			
Bills receivables	(iii)	**3,422,363**	2,778,410
Unlisted equity investments	(ii)	**81,837**	102,158
		3,504,200	2,880,568
		6,570,269	6,323,866

Note:

(i) At 31 December 2020, the balance includes the Group's investment in Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司, 1296.SEHK) amounting to RMB8,179,000 (2019: RMB10,814,000), the investment in Riyue Heavy Industry Co., Ltd ("Riyue") (日月重工股份有限公司, 603218.SHSE) amounting to RMB195,233,000 (2019: RMB326,729,000), the investment in Class A ordinary shares, Class B ordinary shares and American Depository Shares of Tuniu Corporation (TOUR.O.NASDAQ) amounting to RMB65,090,000 (2019: RMB118,325,000) and the investment in China PengFei Group Limited (中國鵬飛集團有限公司, 3348.SEHK) amounting to RMB18,696,000 (2019: RMB17,688,000).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Note: (continued)

(ii) On 17 April 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (a non wholly-owned subsidiary of the Company) entered into a limited partnership agreement with thirty-four other partners in respect of the establishment of an investment fund in the PRC named Zhejiang Zheshang Chanrong Equity Investment Fund L.P. (浙江浙商產融股權投資基金合夥企業(有限合夥))(the "Zheshang Fund") and the subscription of interest therein. Pursuant to the limited partnership agreement, the full registered capital contribution to the investment fund is RMB65,910,000,000, among which, RMB2,000,000,000 was contributed by the Group as a limited partner, which had been fully paid up by the Group to the investment fund. The investment in Zheshang Fund were revalued on 31 December 2020 and 2019 based on valuations performed by Canwin Appraisal Co. Ltd, an independent professional qualified valuer by net asset value approach with reference to net asset value of the audited financial statements of Zheshang Fund. As at 31 December, 2020, the fair value of Zheshang Fund amounted to RMB2,039,719,000 (2019: RMB2,027,647,000) and a fair value gain of RMB12,072,000 (2019: far value loss of RMB21,232,000) was recognised in OCI for the year ended 31 December 2020.

The remaining amounts include the unlisted equity investments with individual amount less than RMB500,000,000.

(iii) Bills receivables that are held for collection of contractual cash flows and for selling purpose are measured at FVOCI. Bills receivables that are held by the Group are usually collected at maturity date or discounted to banks in the PRC by a way of selling before the maturity date. Information about the credit risk is provided in Note 3(iv).

Transfers of financial assets

The following were the Group's bills receivable accepted by banks in the PRC (the "Endorsed Bills") that were endorsed to certain of the Group's suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables that are treated as settled.

Bills receivable endorsed to suppliers with full recourse are as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount of transferred assets	**237,198**	199,687
Carrying amount of associated liabilities	**(237,198)**	(199,687)
Net position	**–**	–

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES)

(i) Loans receivables

	Note	**2020** **RMB'000**	2019 RMB'000
Loan to a related party	(i)	**–**	7,000
Loans to third parties	(ii)-(xiii)	**3,197,292**	3,361,261
Less: Loss allowance	3(iv)(b)	**(1,538,588)**	(614,250)
		1,658,704	2,754,011
Represented:			
– Current portion		**1,658,704**	2,705,794
– Non-current portion		**–**	48,217
		1,658,704	2,754,011

Note:

(i) The Company entered into an agreement in April 2018, pursuant to which a loan of RMB28,000,000 was lent to an associate of the Company, Jiansheng. As at 31 December 2019, the balance was unsecured, interest bearing at 9% per annum and was fully settled in 2020.

(ii) The Group entered into agreements in September and December 2017, pursuant to which loans of RMB158,000,000 in aggregate were lent to a former subsidiary of the Company, Shenzhen Anke High Technology Company Limited (深圳安科高技術股份有限公司), which was disposed of during the year ended 31 December 2017. The balance of RMB158,000,000 remained unsettled at 31 December 2019, which is unsecured and bears interests at 8% per annum and has been fully settled in 2020.

(iii) The Group entered into an agreement in June 2018, pursuant to which a loan of RMB161,500,000 was lent to an independent third party. As at 31 December 2020, the unsettled balance amounted to RMB161,500,000 (2019: RMB161,500,000) of which RMB161,500,000 (2019: Nil) was past due. The balance is unsecured and bears an interest at 8.40% (2019: 8.40%) per annum.

(iv) The Group entered into an agreement in June 2016, pursuant to which an entrusted loan of RMB400,000,000 was lent to an independent third party through a financial institution, with balance of RMB399,000,000. As at 31 December 2020, the unsettled balance amounted to RMB399,000,000 (2019: RMB399,000,000) of which RMB399,000,000 (2019: RMB149,000,000) was past due. The balance is unsecured and bears an interest at 8% (2019: 8%) per annum.

(v) The Group entered into agreements in April and May 2018, pursuant to which loans of RMB1,640,000,000 in aggregate were lent to an independent third party. As at 31 December 2020, the unsettled balance amounted to RMB904,315,000 (2019: RMB904,315,000) of which RMB784,315,000 (2019: RMB144,315,000) was past due. The balance is secured and bears an interest at 9.80% (2019: 9.80%) per annum.

(vi) The Group entered into an agreement in May 2018, pursuant to which a loan of RMB200,000,000 was lent to an independent third party. As at 31 December 2020, the unsettled balance amounted to RMB160,000,000 (2019: RMB160,000,000) of which RMB160,000,000 (2019: RMB160,000,000) was past due. The balance is secured and bears an interest at 12% (2019:12%) per annum.

(vii) The Group entered into an agreement in January 2019, pursuant to which a loan of RMB150,000,000 was lent to an independent third party. In July 2019, the loan amount was revised to RMB156,000,000. As at 31 December 2020, the unsettled balance amounted to RMB156,000,000 (2019: RMB156,000,000) of which RMB36,000,000 (2019: Nil) was past due. The balance is secured and bears an interest at 8% (2019: 8%) per annum.

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(i) Loans receivables *(continued)*

Note: (continued)

(viii) The Group entered into an agreement in March 2019, pursuant to which loan of RMB273,000,000 in aggregate was lent to an independent third party. As at 31 December 2020, the unsettled balance amounted to RMB273,000,000 (2019: RMB273,000,000) of which RMB153,000,000 (2019: Nil) was past due. The balance is secured and bears an interest at 15% (2019: 15%) per annum.

(ix) The Group entered into an agreement in June 2019, pursuant to which the loan amount up to a maximum of RMB500,000,000 was arranged to an independent third party. As at 31 December 2020, the unsettled balance amounted to RMB387,003,000 (2019: RMB387,003,000) of which RMB267,003,000 (2019: RMB387,003,000) was past due. The balance is secured and bears an interest at 15% (2019: 15%) per annum.

(x) The loan balance of RMB249,500,000 represents the delay of consideration receivable from a third party for disposal of Five Seasons Cultural Tourism Development Company Limited ("Five Seasons Cultural") (五季文化旅遊發展有限公司) during the year ended 31 December 2018. As at 31 December 2020, the unsettled balance amounted to RMB249,500,000 (2019: RMB249,500,000) of which RMB249,500,000 (2019: Nil) was past due. The balance is secured and bear interests at 6% (2019: 6%) per annum.

(xi) The Group entered into agreements in February 2017, pursuant to which loans of RMB234,622,000 in aggregate were lent to a former subsidiary of the Company, Kunshan Herong Properties Development Limited (昆山和融房地產開發有限公司) ("Kunshan Herong"), which was disposed of in January 2020. As at 31 December 2020, the unsettled balance amounted to RMB234,622,000 (2019: RMB234,622,000) of which RMB114,622,000 (2019: RMB186,000,000) was past due. The balance is unsecured and bear interests at 10.14% (2019: 10.14%) per annum.

(xii) The Group entered into agreement in July 2020, pursuant to which a loan of RMB110,000,000 was lent to an independent third party. As at 31 December 2020, unsettled amount of RMB110,000,000 was not past due. The balance is unsecured and bears an interest at 12% (2019: Nil) per annum.

(xiii) The remaining balance includes the loans to third parties with individual amount less than RMB100,000,000.

(ii) Consideration receivables

	Note	**2020 RMB'000**	2019 RMB'000
Consideration receivables	(i)	**135,500**	185,046
Less: Loss allowance	3(iv)(b)	**(5,604)**	(1,368)
		129,896	183,678

Note:

(i) As at 31 December 2020, receivables of RMB130,000,000 was related to the disposal of 100% equity interests of Hainan Fullshare Real Estate Development Co., Ltd (海南豐盛房地產開發有限公司) ("Hainan Fullshare"). The remaining receivables of RMB5,500,000 was related to the disposal of 11% equity interests of Dongqiao Technology (Shanghai) Co., Ltd ("Dongqiao") (東喬科技(上海)有限責任公司).

As at 31 December 2019, a receivable of RMB179,546,000 was related to disposal of a bundle of the Group's entire equity interests of ten subsidiaries and four associates to an independent third party, Ningbo Gaoguang Enterprise Management Co., Ltd (寧波高光企業管理有限公司). The remaining receivables of RMB5,500,000 was related to the disposal of 11% equity interests of Dongqiao.

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(iii) Other receivables

	Note	2020 RMB'000	2019 RMB'000
Other receivables			
– Amounts due from third parties	(i)	**2,401,505**	2,847,415
– Amount due from a joint venture		**1,925**	445
– Amounts due from associates		**26,736**	244,463
Less: Loss allowance	3(iv)(b)	**(551,026)**	(508,639)
		1,879,140	2,583,684
Represented:			
– Current portion		**1,876,325**	2,571,609
– Non-current portion		**2,815**	12,075
		1,879,140	2,583,684

Note:

(i) As at 31 December 2020, other receivables mainly include a deposit for land lease amounting to RMB75,000,000 (2019: RMB75,000,000) and other receivables from the former subsidiaries of the bundle transaction of RMB890,024,000 (2019: RMB1,003,834,000).

During the year ended 31 December 2020, the Group received overdue beneficial interests of the trust of RMB512,813,000 which was reclassified from financial assets at FVPL to other receivables at maturity as at 31 December 2019.

(iv) Other financial assets at amortised cost

	Note	2020 RMB'000	2019 RMB'000
Other financial assets at amortised cost			
– Amounts due from third parties	(i)	**1,046,141**	1,019,547
– Amount due from a related party	(ii)	**–**	254,050
Less: Loss allowance	3(iv)(b)	**(452)**	(365)
		1,045,689	1,273,232
Represented:			
– Current portion		**–**	254,050
– Non-current portion		**1,045,689**	1,019,182
		1,045,689	1,273,232

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(iv) Other financial assets at amortised cost *(continued)*

Note:

(i) The balances as at 31 December 2020 and 2019 represented two financial products purchased from an insurance company with interests of fixed rates at 6.50% and 5.80% respectively per annum, both with a 5-year maturity in 2023. The interest and principal are repayable at the maturity date.

(ii) The balances as at 31 December 2019 represented the corporate bonds, issued by one of the Group's related parties in prior year, acquired from an independent third party. The amount was fully settled during the year ended 31 December 2020.

29 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 **RMB'000**	2019 RMB'000
Derivative financial instruments measured at FVPL	**43,362**	59,952

On 6 March 2017, the Company and Five Season XX Limited entered into a return swap agreement ("Swap contract") with Reward Lofy International Limited ("Reward Lofy"), another joint venturer of FVF I L.P., pursuant to which the Company would guarantee Reward Lofy a fixed annualised return rate at 8% of contributions it made during the investment period in return for the sharing of more than proportionate interests in the accumulated available proceeds of the FVF I L.P. by Five Season XX Limited at the termination date of the FVF I L.P.

This Swap contract was measured at FVPL and classified as non-current liabilities since the termination date of the FVF I L.P. as specified in the agreement was more than one year from the end of the reporting period.

30 INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Raw materials	**578,339**	441,256
Work in progress	**1,849,951**	1,149,900
Finished goods	**1,278,954**	997,629
	3,707,244	2,588,785

During the year ended 31 December 2020, provision recognised for decline in the value of inventories amounted to RMB37,565,000 (2019: Reversal of RMB58,450,000) and was recognised in "cost of sales" in profit or loss.

31 TRADE RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Trade receivables			
– Amounts due from third parties		**3,750,518**	3,003,291
– Amounts due from joint ventures		**5,422**	10,347
Less: Loss allowance	3(iv)(a)	**(594,860)**	(548,486)
		3,161,080	2,465,152

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 90 days	**2,747,931**	1,904,273
91 to 180 days	**200,825**	99,262
181 to 365 days	**106,406**	221,361
Over 365 days	**105,918**	240,256
	3,161,080	2,465,152

The Group generally allows a credit period of 180 days (2019:180 days) to its trade customers for gear products. Apart from that, the Group does not have a standardised and universal credit period granted to its customers for other sales, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts, as appropriate. Trade receivables are non-interest-bearing.

All of the amounts due from the Group's joint ventures are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

32 PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Prepayments for trading purposes		
– Amounts due from third parties	**1,372,242**	475,754
– Amounts due from joint ventures	**–**	195
– Amounts due from associates	**6,973**	7,109
Value-added tax recoverable	**36,772**	9,725
Deposit paid for acquisition of land lease	**5,890**	11,361
Prepayments for acquisition of property, plant and equipment	**41,659**	41,659
Less: Loss allowance	**(47,734)**	(56,937)
	1,415,802	488,866
Represented:		
– Current portion	**1,366,453**	302,079
– Non-current portion	**49,349**	186,787
	1,415,802	488,866

The movements of impairment provision is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**(56,937)**	(15,340)
Impairment losses recognised during the year *(Note 10)*	**(20,937)**	(43,123)
Amounts written off as uncollectible	**30,140**	1,526
At 31 December	**(47,734)**	(56,937)

With reference to Note 29 and in accordance with the terms in the Swap contract, the Group made prepayments of RMB30,140,000 to Reward Lofy on the guaranteed fixed annualised return rate, at 8% of the contributions Reward Lofy had made during the investment period, at the commencement of each year. The prepayments would be used to set-off the future accumulated available proceeds of the FVF I L.P. to Reward Lofy at the termination date, if the accumulated available return at the termination date is higher than 8%.

As at 31 December 2019, management of the Group has assessed that the performance of FVF I L.P. was not as good as expected, and it is expected that the accumulated available return would probably not be higher than 8% at the termination date, therefore an impairment loss of RMB30,140,000 was recognised during the year ended 31 December 2019. Subsequently, the amount has been written off during the year ended 31 December 2020 since the management considered the amount was uncollectible.

33 PROPERTIES UNDER DEVELOPMENT

	Note	2020 RMB'000	2019 RMB'000
At 1 January		**190,677**	932,837
Additions		**39,546**	34,670
Acquisition of assets through acquisition of a subsidiary	47	**676,306**	–
Interest capitalised	12	**–**	34,121
Disposal of subsidiaries		**–**	(798,245)
Transferred to properties held for sale		**(209,848)**	–
Transferred to property, plant and equipment	18	**–**	(12,706)
At 31 December		**696,681**	190,677

	2020 RMB'000	2019 RMB'000
Represented:		
– Land use rights	**163,642**	29,680
– Construction costs and capitalised expenditure	**533,039**	160,997
	696,681	190,677

According to the accounting policy of the Group, properties under development are classified as current assets as the construction period of the relevant property development projects are expected to be completed in the normal operating cycle.

The carrying amount of properties under development of approximately RMB696,681,000 (2019: RMB190,677,000) as at 31 December 2020 is expected not to be realised within the next twelve months from the end of the reporting period.

As at 31 December 2020, properties under development with carrying amount of RMB198,504,000 (2019: RMB16,974,000) were pledged as collateral for the Group's borrowings and facilities (Note 53).

34 PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated on leasehold lands in the PRC. All of the properties held for sale are stated at cost.

35 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	4,160,906	5,528,257
Less: Restricted cash		
– Pledged bank deposits	(1,653,224)	(2,720,564)
– Restricted bank deposits	(17,112)	(10,690)
	(1,670,336)	(2,731,254)
Cash and cash equivalents	2,490,570	2,797,003

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits earn interest at the respective time deposit rates. The bank balances, pledged bank deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

36 TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables		
– Amounts due to third parties	3,546,059	2,204,139
– Amounts due to a joint venture	1,127	1,115
– Amounts due to an associate	253	318
Bills payables	3,250,469	3,884,766
	6,797,908	6,090,338

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and the date of issuance of the bills, is as follows:

	2020 RMB'000	2019 RMB'000
Within 90 days	4,187,599	2,712,836
91 to 180 days	686,510	856,623
181 to 365 days	1,451,783	2,313,853
Over 365 days	472,016	207,026
	6,797,908	6,090,338

Trade payables due to associates and joint ventures included in the trade and bills payables are repayable within 90 days (2019: 90 days), which represents credit terms similar to those offered by the associates or joint ventures to their major customers.

Trade payables are interest-free and are normally settled on terms of 90 to 180 days (2019: 90 to 180 days).

37 OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	RMB'000
Accruals	**766,876**	1,029,335
Amounts due to joint ventures	**2,050**	–
Amounts due to associates	**–**	221
Other tax payables	**174,424**	124,171
Other payables	**463,590**	551,587
Refundable deposit received *(Note)*	**1,000,000**	1,000,000
Payroll and welfare payables	**259,412**	215,482
Liability arising from financial guarantee contracts	**19,103**	28,115
Payables for purchase of property, plant and equipment	**93,574**	167,867
	2,779,029	3,116,778

All of the amounts due to a joint venture and associates are unsecured, interest-free and repayable within 180 days (2019: 180 days).

Note:

On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) ("Five Seasons XVI") and Mr. Ji entered into a non-legally binding memorandum of understanding ("MOU") with an independent third party, Neoglory Prosperity Inc. (新光圓成股份有限公司), a PRC company listed on SZSE (002147.SZSE) ("Potential Offeror"), in relation to a possible conditional voluntary partial cash offer for more than 50% but not exceeding 75% of the issued capital of CHS, one of the major subsidiaries of the Company whose shares are listed on SEHK, and subsequently changing to a possible sale and purchase of Five Seasons XVI's direct shareholding interests in CHS that would represent more than 50% but not exceeding 73.91% of the issued capital of CHS ("Possible Sale and Purchase").

On 24 April 2018, the Company, Five Seasons XVI and the Potential Offeror entered into an earnest money agreement (the "Earnest Money Agreement"), pursuant to which, the Potential Offeror shall provide an amount in cash or cash equivalents of RMB1,000,000,000 to the Company (or its subsidiaries) as refundable earnest money within 30 days from the date of the Earnest Money Agreement. On 28 September 2018, the relevant parties entered into a supplemental earnest money agreement ("Supplemental Earnest Money Agreement", together with the Earnest Money Agreement, collectively referred as "Earnest Money Agreements") to extend the term of the Earnest Money Agreement, and pursuant to which if, among others, no definitive agreement in respect of the Possible Sale and Purchase was entered into on or before 31 October 2018, the Company shall refund and return in full the earnest money (without any income accrued thereon) to the Potential Offeror (or its nominee) within 15 business days. As at 31 October 2018, no definitive agreement(s) has been entered into among the parties. As such, the Earnest Money Agreements have been automatically terminated. As at 31 December 2020 and 2019, the deposit received has yet to be refunded.

38 BANK AND OTHER BORROWINGS

	2020		2019	
	Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000
Secured				
– Bank loans	1,071,695	1,156,352	1,042,057	1,372,274
– Loans from other financial institutions	713,985	289,299	1,344,000	–
– Loans from other third parties	373,009	713,677	315,959	1,000
Total secured borrowings	2,158,689	2,159,328	2,702,016	1,373,274
Unsecured				
– Bank loans	1,828,970	–	1,927,500	–
– Loans from ultimate holding company	793,235	–	502,099	755,860
– Loan from a joint venture	175,529	–	–	187,226
– Loans from other third parties	63,108	38,273	67,415	215,027
Total unsecured borrowings	2,860,842	38,273	2,497,014	1,158,113
	5,019,531	2,197,601	5,199,030	2,531,387

Bank and other borrowings carry interests ranging from 0% to 9.50% (2019: 0% to 9.50%) per annum. As at 31 December 2020, current loans from ultimate holding company of RMB793,235,000 (2019: RMB502,099,000) are interest-free and current loan from a joint venture of RMB175,529,000 carried effective interest rate at 8% per annum. As at 31 December 2019, non-current loans from ultimate holding company of RMB755,860,000 carried effective interest rate at 4.75% per annum and non-current loan from a joint venture of RMB187,226,000 carried effective interest rate at 8% per annum.

At the end of the reporting period, the carrying amounts of bank and other borrowings are denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	5,853,810	5,837,502
US$	888,499	917,971
HK$	202,330	678,517
AUD	272,493	296,427
	7,217,132	7,730,417

38 BANK AND OTHER BORROWINGS *(continued)*

Bank and other borrowings are repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	**5,019,531**	5,199,030
Between one and two years	**700,166**	1,698,471
Between two and five years	**1,319,302**	451,100
Over five years	**178,133**	381,816
	7,217,132	7,730,417

Certain of the Group's bank and other borrowings are secured by:

(i) All of the Group's equity interests in CHS.

(ii) The Group's assets as disclosed in Note 53.

(iii) Pledge of 1,520,000,000 ordinary shares of the Company held by ultimate holding company.

In addition, bank and other borrowings of RMB1,621,367,000 (2019: RMB1,623,269,000) were guaranteed by Mr. Ji. Bank and other borrowings of RMB1,659,973,000 (2019: RMB1,085,115,000) were guaranteed by Mr. Ji and a close family member of Mr. Ji.

As at 31 December 2020, a loan from Huarong International Trust Co., Ltd. (the "Lender") with principal amounting to RMB500,000,000 ("Principal") and respective penalty of RMB93,500,000 ("Past Late Payment") was past due. Subsequent to the end of the reporting period, the Lender intended to auction the creditor's rights of the debt to the Group in accordance with its internal procedure. Pursuant to the laws and regulations of the PRC, the auction is requested to be initiated through respective legal procedure(s). Therefore, after a well communication of its intention with the Group, the Lender took such respective legal action to apply for an open auction of the rights of the respective loan aforesaid. However, such auction met with no response. The Group continued to discuss with the Lender on the settlement of the Principal and the Past Late Payment. Another financial institution ("Assignee") has negotiated with the Group to take up the relevant loan from the Lender. Based on the negotiations between the Group and the Assignee, the Assignee agreed to waive the payment of Past Late Payment upon the settlement of the Principal as well as the respective interest within two years from the date when a supplementary agreement in relation to the transfer of debts aforesaid ("Supplemental Agreement") is signed ("Repayment Period"). The directors of the Company believe that the Group can fulfil the settlement term within the Repayment Period. Accordingly, no provision in relation to the Past Late Payment has been made in the Group's consolidated financial statements as at 31 December 2020. Up to the date of approval for issuance of the consolidated financial statements, the Group is still in the course of negotiating with the Lender and Assignee in relation to the finalisation of terms of the Supplemental Agreement, and it is expected the negotiations will reach a successful conclusion.

39 CORPORATE BONDS

On 8 December 2014, the Company issued a six-year semi-annual coupon corporate bond ("2014 CB") with a principal amount of HK$10,400,000 (equivalent to RMB8,268,000) which carries interests at 7% per annum. The effective interest rate as at 31 December 2019 was 9.60%. 2014 CB was fully redeemed upon maturity.

In March and July 2017, the Group issued two five-year annual coupon corporate bonds ("2017 CB") with principal amounts of RMB900,000,000 ("First Tranche Bond") and RMB1,020,000,000 ("Second Tranche Bond") which carry interests at 6.47% and 6.50% per annum respectively. The effective interest rates as at 31 December 2019 were 6.59% and 6.62% respectively.

In January 2018, the Group issued a five-year annual coupon corporate bond ("2018 CB") with a principal amount of RMB500,000,000 which carries interests at 7.50% per annum. The effective interest rate as at 31 December 2019 was 7.62%.

All 2017 CB and 2018 CB attached with the option of adjusting the nominal interest rate for issuer and the option of redemption at the end of the third year for investors. In March 2020, as all the bondholders of the First Tranche Bond have chosen to redeem, the Group has paid RMB900,000,000 for the redemption, the First Tranche Bond has been cancelled. In July and August 2020, the Group has paid RMB1,020,000,000 and RMB500,000,000 for the full redemption of the Second Tranche Bond and 2018 CB respectively.

	2014 CB	**2017 CB**	**2018 CB**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	8,620	1,990,224	535,491	2,534,335
Imputed interest *(Note 12)*	896	126,228	37,948	165,072
Interest paid	(642)	(124,530)	(37,500)	(162,672)
Exchange differences	166	–	–	166
At 31 December 2019 and 1 January 2020	**9,040**	**1,991,922**	**535,939**	**2,536,901**
Imputed interest *(Note 12)*	**869**	**52,608**	**24,890**	**78,367**
Interest paid	**(606)**	**(124,530)**	**(60,829)**	**(185,965)**
Redemption	**(8,799)**	**(1,920,000)**	**(500,000)**	**(2,428,799)**
Exchange differences	**(504)**	**–**	**–**	**(504)**
At 31 December 2020	**–**	**–**	**–**	**–**

39 CORPORATE BONDS *(continued)*

	2020 RMB'000	2019 RMB'000
Represented:		
Accrued interest (included in other payables and accruals)	–	115,148
Current liabilities	–	1,923,316
Non-current liabilities	–	498,437
	–	2,536,901

40 WARRANTY PROVISION

	2020 RMB'000	2019 RMB'000
At 1 January	314,032	162,901
Additional provisions recognised during the year	922,806	359,312
Amounts utilised during the year	(285,763)	(208,181)
At 31 December	951,075	314,032
Represented:		
– Current portion	578,595	216,868
– Non-current portion	372,480	97,164
	951,075	314,032

At the end of the reporting period, the amount represents the directors' best estimate of the expected cost that will be required under the Group's obligations for warranties under sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

41 DEFERRED TAX

For presentation purposes, certain deferred tax assets/(liabilities) have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	663,144	570,453
Deferred tax liabilities	(1,182,123)	(1,136,831)
	(518,979)	(566,378)

41 DEFERRED TAX *(continued)*

(i) Details of the deferred tax assets recognised in the consolidated statement of financial position and movements during the years are as follows:

	Tax losses RMB'000	Temporary difference between accounting basis and tax basis of lease liabilities RMB'000	Write-down of inventories RMB'000	Impairment of receivables RMB'000	Other payables and accrued expenses RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	44,530	–	51,163	175,876	43,766	106,244	20,121	441,700
Changes in accounting policy	–	13,863	–	–	–	–	–	13,863
Disposal of subsidiaries	–	–	–	(7,430)	–	(33,414)	–	(40,844)
(Charged)/credited to profit or loss	(20,396)	–	(5,407)	105,197	56,239	(2,351)	4,468	137,750
Credited to OCI	–	–	–	–	–	–	1,724	1,724
Exchange differences	–	103	–	–	–	–	–	103
At 31 December 2019 and 1 January 2020	**24,134**	**13,966**	**45,756**	**273,643**	**100,005**	**70,479**	**26,313**	**554,296**
Acquisition of assets through acquisition of a subsidiary *(Note 47)*	**–**	**–**	**–**	**–**	**39,860**	**–**	**–**	**39,860**
Credited/(charged) to profit or loss	**8,038**	**4,610**	**(11,092)**	**(28,443)**	**90,965**	**(10,562)**	**(3,371)**	**50,145**
Charged to OCI	**–**	**–**	**–**	**–**	**–**	**–**	**(3,661)**	**(3,661)**
Exchange differences	**–**	**104**	**–**	**(2)**	**1,616**	**–**	**–**	**1,718**
At 31 December 2020	**32,172**	**18,680**	**34,664**	**245,198**	**232,446**	**59,917**	**19,281**	**642,358**

The Group has tax losses of RMB1,188,437,000 (2019: RMB1,259,394,000) arising from the PRC that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses of RMB346,418,000 (2019: RMB1,162,689,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

41 DEFERRED TAX *(continued)*

(ii) Details of the deferred tax liabilities recognised in the consolidated statement of financial position and movements during the years are as follows:

	Change in fair value of identified assets upon acquisition of subsidiaries RMB'000	Temporary difference between accounting basis and tax basis of investment properties RMB'000	Change in fair value of financial assets RMB'000	Withholding taxes RMB'000	Development cost RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	434,707	539,544	510,725	93,477	(474)	8,160	1,586,139
Acquisition of subsidiaries	13,798	–	–	–	–	–	13,798
Disposal of subsidiaries	(30,219)	–	–	–	–	–	(30,219)
(Credited)/charged to profit or loss	(34,777)	15,193	(455,353)	14,649	474	(6,247)	(466,061)
Charged to OCI	–	–	43,701	–	–	–	43,701
Exchange differences	(261)	–	(26,423)	–	–	–	(26,684)
At 31 December 2019 and 1 January 2020	**383,248**	**554,737**	**72,650**	**108,126**	**–**	**1,913**	**1,120,674**
Disposal of subsidiaries *(Note 48)*	**(5,379)**	**–**	**–**	**–**	**–**	**–**	**(5,379)**
(Credited)/charged to profit or loss	**(30,290)**	**177,588**	**(127,613)**	**(14,649)**	**–**	**(1,612)**	**3,424**
Charged to OCI	**–**	**–**	**42,082**	**–**	**–**	**–**	**42,082**
Exchange differences	**(8)**	**–**	**544**	**–**	**–**	**–**	**536**
At 31 December 2020	**347,571**	**732,325**	**(12,337)**	**93,477**	**–**	**301**	**1,161,337**

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the application rate is 5% and 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB9,481,145,000 as at 31 December 2020 (2019: RMB10,307,943,000) that are subject to withholding taxes of the Group's subsidiaries established in the PRC because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

42 SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Authorised:		
40,000,000,000 (2019: 40,000,000,000) ordinary shares of HK$0.01 each	314,492	314,492

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
19,705,391,731 (2019: 19,705,391,731) ordinary shares of HK$0.01 each	160,872	160,872

A summary of balance of the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	19,729,061,731	161,084
Shares repurchased and cancelled *(Note)*	(23,670,000)	(212)
At 31 December 2019, 1 January 2020 and 31 December 2020	19,705,391,731	160,872

Note:

During the year ended 31 December 2019, the Company repurchased its own shares on SEHK as follows:

Month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
September 2019	23,670,000	0.212	0.208	4,981 (equivalent to RMB4,523,000)

All of the repurchased shares were cancelled during the year ended 31 December 2019.

43 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES

(i) Share options scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 17 August 2018, the share option scheme (the "Share Option Scheme") was adopted by the Company.

Official full-time employees rank a level of director (總監) and above, and other employees selected by the Board of Directors or the shareholders of the Company at general meeting are eligible to participate in the Share Option Scheme. Subject to early termination by the Company at general meeting, the Share Option Scheme shall remain in force for 5 years commencing from the date of adoption.

The exercise of share options shall be conditional upon fulfilment of the following main conditions:

- In respect of the results targets of the Company from years 2018 to 2022, taking the overall net profit and operation net profit of the Company in year 2017 as benchmarks (the 'Benchmarks'), the annual compound growth rate of the audited overall net profit and operation net profit of the Company in the financial year preceding the exercise date of the share options shall not be lower than 10% and 25% respectively compared to the Benchmarks. The Board of Directors may adjust the results targets if there is material change of the strategic development of the Company;

- The grantee shall be a full-time employee passing the probation on the grant date and until the exercise date of the share options except for exemptions set out in the Share Option Scheme, unless otherwise waived by the Board of Directors or the person authorised by the Board of Directors;

Assuming all the conditions for exercise of the share options are fulfilled in accordance with the Share Option Scheme, the proportion of 20%, 20%, 20%, 20% and 20% of the share options may be exercised after the 12 months, 24 months, 36 months, 48 months and 60 months from the date of grant. No share option could be exercised 10 years after the date of grant.

On 14 December 2018, the Board of Directors resolved to grant share options to certain eligible employees (the "Share Option Grantees") to subscribe for a total of 77,232,200 shares upon exercise under the Share Option Scheme, such share options had been accepted by the Share Option Grantees at no consideration. During the year ended 31 December 2020, a total of 10,625,020 (2019: 13,437,520) and 8,571,440 (2019: 12,276,760) share options were cancelled and lapsed respectively according to the terms of the Share Option Scheme. As at 31 December 2020, there was 31,875,060 (2019: 51,071,520) outstanding share options which are not exercisable. The exercise price of share options granted is HK$2.56 per share, representing the closing price of HK$2.56 per share as quoted in the daily quotation sheet of SEHK on the date of grant.

As at 31 December 2020 and 2019, the best available estimate of the number of share options expected to exercise is immaterial, as it is highly probable that the Share Option Grantees will fail to satisfy the abovementioned exercise conditions in accordance with the Share Option Scheme.

43 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES *(continued)*

(ii) Share award scheme

On 7 July 2018, the Group adopted a share award scheme (the “Share Award Scheme”) to promote the implementation of enterprise culture of co-creation and procure the core employees of the Group to focus on long–term operation performance, as well as to attract, retain and impel core talents.

Official full-time employees rank a level of senior manager and above, and other employees selected by the Board of Directors or the shareholders of the Company at general meeting are eligible to participate in the Share Award Scheme. The Share Award Scheme shall be valid for a term of 5 years commencing from the date of adoption.

Pursuant to the Share Award Scheme, existing shares of the Company could be purchased and held on trust as “Restricted Shares” until such shares are vested with the relevant grantees in accordance with the rules of the Share Award Scheme.

Subject to the fulfillment of the specified vesting conditions and upon payment of consideration of the award shares are made, 60% and 40% of the award shares will be transferred to the selected grantees following the Company’s instruction since the date falling the 24th and 36th month from the date of grant respectively.

On 14 December 2018, the Board of Directors resolved to grant an aggregate of 17,521,400 shares (“Award Shares”) to 46 eligible employees (the “Award Share Grantees”) at grant price of HK$1.28 per Award Share, representing 50% of the closing price of HK$2.56 per share as quoted in the daily quotation sheet of SEHK on the date of grant. A total of remaining 17,300,200 Award Shares were lapsed according to the terms of the Share Award Scheme during the year ended 31 December 2019. As at 31 December 2020, there was no outstanding unvested award shares (2019: Nil) and the Company intends to hold the 17,521,400 award shares on trust and utilise for future award purpose pursuant to the Share Award Scheme.

44 RESERVES

The amounts of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(i) Equity reserve

Equity reserve represented (a) the difference between the paid-in capital of Nanjing Fullshare Asset Management Limited (南京豐盛資產管理有限公司) (“Nanjing Fullshare Asset Management”) and the carrying amount of ordinary share capital of the Company immediately before the completion of the reverse takeover transaction during the year ended 31 December 2013 and (b) the difference between deemed consideration given by Nanjing Fullshare Asset Management and the nominal value of ordinary shares of the Company issued in respect of the reverse takeover transaction.

44 RESERVES *(continued)*

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

(iii) Merger reserve

The merger reserve of the Group arose as a result of the acquisitions of subsidiaries under common control and represented the difference between the consideration paid for the acquisitions and the carrying amount of the net assets of the subsidiaries at the date when the Group and the acquired subsidiaries became under common control.

(iv) Other reserve

Other reserve represents (a) the gains/(losses) arising from transactions with non-controlling interests, (b) the difference between the fair value of consideration paid for the acquisition of subsidiaries from the owners of the Company and the fair value of the assets acquired at the date of acquisition, (c) the amount due to the controlling shareholder waived by Mr. Ji and capitalised as capital contribution, (d) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of and (e) the fair value of the share-based payments.

(v) Employee share trust reserve

Employee share trust reserve arose as a result of purchasing of Company's shares for Share Award Scheme or granting the shares to relevant grantees of the Group.

45 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020 RMB'000	2019 RMB'000
Percentage of equity interest held by non-controlling interests:		
CHS	**26.09%**	26.09%
Accumulated balances of non-controlling interests at the end of the reporting period:		
CHS	**3,615,702**	3,246,134

	2020 RMB'000	2019 RMB'000
Total comprehensive income for the year allocated to non-controlling interests:		
CHS	**170,828**	65,536

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CHS	2020 RMB'000	2019 RMB'000
Revenue	**15,368,511**	9,869,788
Total expenses	**(14,597,704)**	(9,654,024)
Profit for the year	**770,807**	215,764
Total comprehensive income for the year	**913,620**	308,903
Net cash flows generated from operating activities	**1,175,795**	2,113,717
Net cash flows generated from investing activities	**1,842,464**	1,135,425
Net cash flows used in financing activities	**(3,368,344)**	(2,811,524)
Net (decrease)/increase in cash and cash equivalents	**(350,085)**	437,618

	2020 RMB'000	2019 RMB'000
Current assets	**17,338,208**	15,909,564
Non-current assets	**9,576,104**	10,119,495
Current liabilities	**(12,545,009)**	(12,554,835)
Non-current liabilities	**(952,792)**	(1,271,273)

46 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Cash generated from operations

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Loss before tax		**(297,432)**	(3,213,676)
Adjustments for:			
Finance costs	12	**605,003**	827,352
Share of results of associates and joint ventures	23, 24	**20,582**	176,001
Interest income	9	**(140,625)**	(323,953)
Losses on disposal of property, plant and equipment	10	**4,379**	39,399
Losses/(gains) on disposal of subsidiaries	10	**4,058**	(39,098)
Gain on disposal of a joint venture	10	**–**	(1,469)
Losses on disposal of associates	10	**12,388**	5,093
Gain on disposal of disposal Group	10	**–**	(28,237)
Dividend income	9	**(9,668)**	(154,236)
Fair value changes in financial instruments	8	**(56,152)**	2,824,876
Fair value changes in investment properties	10	**(570,037)**	(60,829)
Equity-settled share-based payment expenses	11(b)	**547,674**	–
Depreciation of property, plant and equipment	11	**485,126**	539,740
Depreciation of right-of-use assets	11	**74,166**	51,311
Net impairment losses on financial assets and financial guarantee contracts	3(iv)	**1,077,850**	510,068
Impairment losses of property, plant and equipment	10	**258,892**	8,003
Impairment losses of goodwill	10	**181,669**	54,000
Provision/(reversal of) for inventories write down	11	**37,565**	(58,450)
Amortisation of other intangible assets	11	**73,124**	85,706
Amortisation of deferred income		**(25,117)**	(28,382)
Provision for impairment losses of prepayments	10	**20,937**	43,123
Exchange losses, net		**18,333**	1,127
Operating cash inflows before movement in working capital		**2,322,715**	1,257,469

46 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(i) Cash generated from operations *(continued)*

	2020 RMB'000	2019 RMB'000
Increase in properties under development	(39,546)	(34,670)
Decrease in properties held for sale	131,835	145,134
Increase in inventories	(1,156,024)	(173,328)
Increase in restricted bank deposits	(6,422)	(1,505)
(Increase)/decrease in trade and bills receivables, other receivables and prepayments	(2,267,869)	1,274,479
Increase/(decrease) in trade and bills payables, other payables and accruals and contract liabilities	1,548,551	(193,796)
Increase in provision for product warranties	637,043	151,132
Cash generated from operations	1,170,283	2,424,915

(ii) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Total RMB'000
At 1 January 2020	444,663	7,730,417	2,421,753	10,596,833
New Leases	7,507	–	–	7,507
Interest expense	23,643	502,993	78,367	605,003
New bank and other borrowing raised	–	5,569,780	–	5,569,780
Repayments of bank and borrowings	–	(6,057,601)	–	(6,057,601)
Capital element of lease rental paid	(39,362)	–	–	(39,362)
Interest element of lease rental paid	(23,643)	–	–	(23,643)
Redemption of corporate bonds	–	–	(2,428,799)	(2,428,799)
Foreign exchange movements	4,605	(76,115)	(504)	(72,014)
Changes from operating cash flows	–	(37,340)	115,148	77,808
Interest paid	–	(415,002)	(185,965)	(600,967)
At 31 December 2020	417,413	7,217,132	–	7,634,545

46 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(ii) Changes in liabilities arising from financing activities *(continued)*

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Total RMB'000
At 1 January 2019 as originally presented	–	10,464,418	2,420,085	12,884,503
Changes in accounting policies	251,996	–	–	251,996
Restated balance at 1 January 2019	251,996	10,464,418	2,420,085	13,136,499
New Leases	201,163	–	–	201,163
Interest expense	16,014	680,387	165,072	861,473
New bank and other borrowing raised	–	5,535,419	–	5,535,419
Repayments of bank and borrowings	–	(8,143,254)	–	(8,143,254)
Capital element of lease rental paid	(21,295)	–	–	(21,295)
Interest element of lease rental paid	(16,014)	–	–	(16,014)
Foreign exchange movements	12,799	(8,316)	166	4,649
Changes from operating cash flows	–	–	(898)	(898)
Interest paid	–	(579,479)	(162,672)	(742,151)
Decrease arising from disposal of subsidiaries	–	(218,758)	–	(218,758)
At 31 December 2019	444,663	7,730,417	2,421,753	10,596,833

47 ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 21 January 2020, the Group acquired the entire equity interests in Nanjing Zhonghui Heda Business Management Co., Ltd (南京眾慧合達商業管理有限公司) ("Nanjing Heda") from an independent third party with a consideration of RMB398,000,000. Nanjing Heda is principally engaged in property investment.

On 24 November 2020, the Group completed the acquisition of 80% equity interest in Tianjin Heheng Investment Development Co., Ltd. (天津合恒投資發展有限公司) ("Tianjin Heheng") from an independent third party without any consideration. Tianjin Heheng is principally engaged in investment, development and sales of properties.

The acquisitions were made as part of the Group's strategy to increase the commercial property and property development portfolios. Since the acquisitions were made principally to acquire investment properties and properties under development, the acquisitions of Nanjing Heda and Tianjin Heheng have been accounted for as acquisition of assets and liabilities through acquisition of subsidiaries rather than a business combination in accordance with HKFRS 3.

47 ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(continued)*

The assets and liabilities recognised as a result of the acquisition were as follows:

	Tianjin Heheng RMB'000	Nanjing Heda RMB'000	Total RMB'000
Prepayment	512	–	512
Investment properties *(Note 19)*	–	384,826	384,826
Other receivables	42,683	23,610	66,293
Property, plant and equipment *(Note 18)*	213	–	213
Properties under development *(Note 33)*	676,306	–	676,306
Properties held for sale	103,640	–	103,640
Deferred tax assets *(Note 41)*	39,860	–	39,860
Cash and cash equivalents	2,496	1,269	3,765
Trade payables	(63,311)	–	(63,311)
Other payables and accruals	(802,399)	(11,705)	(814,104)
Net assets acquired	–	398,000	398,000
Total consideration settled by cash	–	398,000	398,000
Analysis of cash flows on acquisition:			
Cash consideration	–	(398,000)	(398,000)
Cash acquired with the subsidiaries	2,496	1,269	3,765
Net cash inflows/(outflows) on acquisition	2,496	(396,731)	(394,235)

48 DISPOSAL OF SUBSIDIARIES

On 8 January 2020, the Group entered into an agreement with an independent third party to dispose of its 100% equity interests in Kunshan Herong at a consideration of approximately RMB28,000,000.

On 19 January 2020, the Group entered into an agreement with an independent third party to dispose of its 100% equity interests in Jiangsu Green Capital Construction Design Institute Co., Ltd (江蘇綠色都建建築設計研究院有限公司) ("Green Capital") at a consideration of RMB16,397,000.

On 1 July 2020, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest in Hainan Fullshare at a consideration of RMB130,000,000.

On 28 September 2020, the Group entered into an agreement with an independent third party to dispose of its 49% equity interest in Dongqiao at a consideration of RMB10,303,200.

On 28 November 2020, the Group entered into an agreement with an independent third party to dispose of its 90% equity interest in Jiangsu Fullshare Supply Chain Management Co., Ltd. (江蘇豐盛匯供應鏈管理有限公司) ("Jiangsu Fullshare") at a consideration of RMB14,000,000.

On 20 November 2020, the Group entered into an agreement with an independent third party to dispose of its 100% interest in Five Seasons XXV at a consideration of RMB1.

48 DISPOSAL OF SUBSIDIARIES *(continued)*

The assets and liabilities of the subsidiaries at the respective dates of disposal were as follows:

	Kunshan Herong RMB'000	Green Capital RMB'000	Dongqiao RMB'000	Hainan Fullshare RMB'000	Jiangsu Fullshare RMB'000	Five Seasons XXV RMB'000	Total RMB'000
Net assets/(liabilities) disposed of comprised:							
– Property, plant and equipment *(Note 18)*	63	450	148	15,782	2	–	16,445
– Other intangible assets *(Note 22)*	–	–	4,766	–	–	–	4,766
– Properties held for sale	356,044	–	–	–	–	–	356,044
– Prepayments	–	324	110	–	–	42	476
– Investment in a joint venture	–	–	–	–	–	7,100	7,100
– Trade receivables	–	5,267	49	–	–	–	5,316
– Other receivables	16,985	6,477	19,027	10,380	120	–	52,989
– Income tax prepaid	5,829	33	–	–	–	–	5,862
– Cash and cash equivalents	7,003	1,712	11,238	358	2,100	161	22,572
– Other tax prepaid	–	–	57	270	–	–	327
– Right-of-use assets *(Note 20(a))*	–	–	–	132,771	–	–	132,771
– Trade and bills payables	(48,761)	(1,473)	(8)	(721)	–	–	(50,963)
– Other payables and accruals	(294,857)	(1,152)	(31,142)	–	(1,796)	(7,595)	(336,542)
– Contract liabilities	(10,223)	(1,645)	(3)	–	(1,760)	–	(13,631)
– Income tax payable	–	(60)	(48)	–	–	–	(108)
– Deferred tax liabilities *(Note 41)*	(5,379)	–	–	–	–	–	(5,379)
– Non-controlling interests	–	–	7,681	–	(2,968)	–	4,713
Net assets/(liabilities) disposed of	26,704	9,933	11,875	158,840	(4,302)	(292)	202,758
Cash consideration	(28,000)	(16,397)	(10,303)	(130,000)	(14,000)	–	(198,700)
Gains/(losses) on disposal of subsidiaries *(Note 10)*	1,296	6,464	(1,572)	(28,840)	18,302	292	(4,058)
Analysis of cash flows on disposal:							
Consideration received	28,000	16,397	10,303	130,000	14,000	–	198,700
Less: Unsettled consideration	–	–	–	(130,000)	–	–	(130,000)
Cash and cash equivalents disposed of	(7,003)	(1,712)	(11,238)	(358)	(2,100)	(161)	(22,572)
Net cash inflows/(outflows) from disposal	20,997	14,685	(935)	(358)	11,900	(161)	46,128

49 DEEMED DISPOSAL OF A SUBSIDIARY

The Group holds 46.96% equity interests in Tianjin Chuanzai. Pursuant to the contractual arrangement between the Group and the other shareholder, the Group controls the majority composition of the board of directors of Tianjin Chuanzai, the highest authority making decision for all major issues of the entity. The directors of the Company considered that the Group had control over Tianjin Chuanzai and it was therefore classified as a subsidiary as at 31 December 2019.

During the year ended 31 December 2020, an unanimous shareholder resolution regarding the change of right to appoint directors by shareholders was approved, pursuant to which the Group no longer controlled the majority composition of the board of directors of Tianjin Chuanzai but is still able to exercise the significant influence. Therefore, Tianjin Chuanzai was ceased to be a subsidiary and classified as an associate.

The net assets at the date of deemed disposal of Tianjin Chuanzai were as follows:

	RMB'000
Trade and other receivables, net of loss allowance	166,666
Cash and cash equivalents	40
Trade and other payables	(1,472)
Non-controlling interests	(87,641)
Net assets derecognised	77,593
Less: Fair value of equity interests in Tianjin Chuanzai classified as investment in an associate	(77,593)
Gain on deemed disposal of a subsidiary	–
Analysis of cash flows on deemed disposal:	
Cash consideration	–
Cash and cash equivalents disposed of	(40)
Net cash outflows on deemed disposal	(40)

50 TRANSACTION WITH NON-CONTROLLING INTERESTS

(i) Partial disposal of interests in subsidiaries without change in control

Jiangsu Green Lighting Engineering Co., Ltd (江蘇綠色照明工程有限公司) ("Jiangsu Green Lighting")

On 31 August 2020, the Group disposed of 30% equity interest in Jiangsu Green Lighting at a consideration of RMB4,700,000. At the date of the disposal, the proportionate share of 30% interest in Jiangsu Green Lighting by non-controlling interests was RMB5,396,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	2020 RMB'000
Increase in non-controlling interests	**5,396**
Consideration paid by non-controlling interests	**(4,700)**
Decrease in equity attributable to owners of the Company	**696**

50 TRANSACTION WITH NON-CONTROLLING INTERESTS *(continued)*

(ii) Acquisition of additional interest in a subsidiary

Nanjing NingKai Machinery Co., Ltd（南京寧凱儀器有限公司）("Nanjing NingKai")

On 31 October 2020, the Group purchase an additional of 14.17% equity interest in Nanjing NingKai at a consideration of RMB15,600,000. At the date of the purchase, the proportionate share of 14.17% interest in Nanjing NingKai by non-controlling interests was RMB7,638,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	2020 RMB'000
Decrease in non-controlling interests	(7,638)
Consideration paid to non-controlling interests	15,600
Decrease in equity attributable to owners of the Company	7,962

(iii) Capital contribution by non-controlling shareholders of a subsidiary

Nanjing High Speed

Immediately upon completion of the Capital Increase, details of which are set out in Note 11(b), the Employee Partnership Enterprise will own as to approximately 6.98% of the enlarged equity interests in Nanjing High Speed and the Capital Increase constituted a deemed disposal of Nanjing High Speed without change in control. At the date of Capital Increase, the proportionate share of 6.88% interest in Nanjing High Speed by non-controlling interests was RMB 365,253,000. The effect on the equity attributable to the owners of the Company is summarised as follows:

	2020 RMB'000
Increase in non-controlling interests	365,253
Consideration paid by non-controlling interests	(150,000)
Decrease in equity attributable to owners of the Company	215,253

51 CONTINGENT LIABILITIES

As at 31 December 2020, contingent liabilities not provided for in the consolidated financial statements were as follows:

(i) Mortgage facilities

	Note	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with mortgage facilities	(a)	17,411	225,494
Guarantees given to a bank in connection with motor vehicle finance leases facilities	(b)	–	43,574

51 CONTINGENT LIABILITIES *(continued)*

(i) Mortgage facilities *(continued)*

Note:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalties owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees, or when the Group obtains the "master property title certificate" upon completion of the construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision has been made in the consolidated financial statements for these guarantees.

(b) As at 31 December 2019, the Group provided guarantees in respect of motor vehicle finance leases facilities granted by a bank to eligible borrowers. Pursuant to the terms of the guarantees, upon default in finance leases payments by these borrowers, the Group is responsible to repay the outstanding principals together with accrued interests and penalties owed by the defaulted borrowers to the bank. The Group's guarantee period starts from the date of grant of the relevant finance leases and ends when the customers settle their financial leases obligations in full. The directors consider that in case of default in payments, the amounts of security deposits received from borrowers, which ranged from 6% to 8% to the granted amounts, are sufficient to cover the amounts of bank security deposits to be forfeited, which were around 4.93% of granted amounts; and Nanjing Jiangong Industrial Group Co., Ltd. (南京建工產業集團有限公司) ("Nanjing Jiangong Industrial", formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司), a connected person of the Company, guarantees the Group's potential liabilities arisen from default cases. Therefore, no provision has been made in the consolidated financial statements for the guarantees.

During the year ended 31 December 2020, the subsidiary providing such guarantees was disposed. Therefore, there is no guarantee in respect of motor vehicle finance leases facilities provided by the Group as at 31 December 2020.

(ii) As at 31 December 2020, the Group has provided financial guarantees to two (2019: two) associates and four (2019: four) independent third parties in favour of bank loans of RMB1,440,012,000 (2019: RMB1,456,008,000) and RMB841,577,000 (2019: RMB934,000,000), respectively. These amounts represented the balances that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB19,103,000 (2019: RMB28,115,000) has been recognised in the consolidated statement of financial position as liabilities.

(iii) On 30 August 2019, a sale and purchase agreement is entered into between an independent third party (the "Purchaser"), Fullshare Value Fund I (A) L.P. (the "Vendor"), a joint venture of the Group, and the general partner of the Vendor, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the 100% of the issued and paid-up shares of Five Seasons XXII Limited ("BVI SPV"), a wholly-owned subsidiary of the Vendor, subject to the terms and conditions thereof. The BVI SPV indirectly holds the interests of GSH Plaza in Singapore. The former owner of the GSH Plaza is under certain legal cases with the property builders.

On the same day, in order to facilitate the conclusion of the sales, the Company entered into a deed of guarantee with the Purchaser, pursuant to which, the Company agreed to guarantee to the Purchaser the due and punctual performance and observance by the Vendor of the Vendor's obligations under the sale and purchase agreement, subject to a maximum liability of up to SGD169,822,000 (equivalent to approximately RMB874,690,000) (the "Guarantee money"). The Guarantee money is used to compensate the Purchaser for any adverse effect of the legal cases. These Guaranteed money would be reimbursed by the former owner.

51 CONTINGENT LIABILITIES *(continued)*

(iii) *(continued)*

The Company also entered into a letter of authority with Five Seasons XXII Pte. Ltd. ("Five Seasons"), a wholly-owned subsidiary of BVI SPV, pursuant to which, Five Seasons authorised the Company to represent Five Seasons in respect of the authorised matters and the Company agreed to (i) engage professional parties and bear all costs incurred thereto; and (ii) put Five Seasons in funds for any monies which Five Seasons is liable to pay, in relation to the authorised matters, subject to a maximum aggregate amount of up to SGD1,000,000 (equivalent to approximately RMB5,151,000).

In the opinion of the directors, based on the claim history from the Purchaser to the Group and the reimbursement history from the former owner to the Group, the possibility of default or inability of discharging the relevant obligations by the Group is remote. Accordingly, no provision in relation to the guarantee has been made as at 31 December 2020 and 2019.

(iv) On 12 November 2015, Nanjing High Speed and NGC Transmission Europe GmbH (hereafter "NGC Parties") jointly entered into a strategic cooperation agreement (the "Cooperation Agreement") with Sustainable Energy Technologies GmbH ("SET") on the development and sale of certain electromechanical differential gearboxes for the use in industrial plants and wind mills, including its production and marketing (the "Project"). The Cooperation Agreement was terminated prematurely by SET on 23 February 2018.

In 2019, NGC Transmission Europe GmbH received a claim (the "Claim") filed by SET with a total amount of EUR11,773,000 (equivalent to RMB92,019,000) (the "Claimed Amount") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

Upon the date of the approval of the consolidated financial statements, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 31 December 2020, based on the assessment of the independent lawyers, a compensation liability amounting to RMB8,066,000 (2019: RMB8,066,000) was accrued by the management.

(v) On 16 August 2019, it came to the attention of the Company that Mr. Ji was named a defendant in a proceeding involving claim for alleged overdue payments of approximately HK$1,466,000,000 (the "Proceeding"). No further information in respect of the Proceeding and the claim thereunder is available as at the date of these consolidated financial statements. Pursuant to relevant terms of the Group's loan agreements, the Proceeding might be considered as an event of default the occurrence of which will allow the lender to demand accelerated repayments for certain loans of the Group totalling approximately RMB1,100,000,000 as at 31 December 2020 (2019: RMB1,100,000,000) ("Loan"). However, up to the date of these consolidated financial statements, the Group has not received any request from any lender of the Loan for any accelerated repayment. Further, the management of the Company considers that adequate collaterals have been provided to secure the Loan. Accordingly, no adjustment or reclassification of the Loan is made to reflect the impact of the Proceeding.

52 COMMITMENTS

(i) Operating lease arrangement – the Group as lessor

The Group leases its investment properties (Note 19) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	176,163	177,560
After 1 year but within 2 years	128,084	168,469
After 2 years but within 3 years	90,469	120,781
After 3 years but within 4 years	72,146	84,121
After 4 years but within 5 years	58,738	66,844
After 5 years	350,484	326,829
	876,084	944,604

(ii) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	438,377	237,046
– Capital contributions to associates	177,000	129,000
– Capital contributions to joint ventures	350,000	50,000
	965,377	416,046

52 COMMITMENTS *(continued)*

(iii) Other commitments

On 9 February 2018, the Company, China Merchants Securities Asset Management Company Limited (招商證券資產管理有限公司) and Ningbo Zhongbang, both being limited partners of Ningbo Fengdong Investment Management Partnership Enterprise (Limited Partnership) (寧波豐動投資管理合夥企業(有限合夥)) (the "Fund") (collectively referred to as "Limited Partners") and Ningbo Zhongxin Wanbang Asset Management Company Limited (寧波眾信萬邦資產管理有限公司), being the general partner of the Fund entered into a forward sale and purchase agreement ("Forward Purchase Agreement") pursuant to which the Company has conditionally agreed to acquire from each of the Limited Partners their respective interests in the Fund, within 3 years from the date of full payment of the capital contributions made by Limited Partners and general partner of the Fund (i.e. 12 February 2018) or extended date unanimously consented by all parties, at a maximum consideration of approximately RMB3,342,506,567 which was determined with reference to the capital contributions made by the Limited Partners of an aggregate amount of approximately RMB2,630,000,000 and the expected return to be distributed by the Fund in accordance with the terms of the limited partner agreement on the relevant settlement date in accordance with the terms of the Forward Purchase Agreement. Up to the date of approval of these consolidated financial statements, the Company is yet to complete the acquisitions and is still in the course of negotiating the extension of acquisitions.

The object of the Fund is to invest in Shanghai Joyu Culture Communication Company Limited (上海景域文化傳播股份有限公司) ("Shanghai Joyu"), or such other companies or businesses as may be agreed by the Limited Partners and the general partner. Shanghai Joyu is principally engaged in the tourism and vacation businesses and is a one-stop Online to Offline ("O2O") service provider in the PRC tourism business. As at 31 December 2020, the Fund invested held approximately 26.33% (2019: 26.33%) interests in Shanghai Joyu.

53 PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to secure banking and other facilities granted to the Group and connected persons as follows:

	Note	2020 RMB'000	2019 RMB'000
Property, plant and equipment	18	**1,002,598**	1,902,164
Investment properties	19	**4,918,918**	3,938,321
Right-of-use assets regarding the land use rights	20(a)	**146,068**	254,658
Financial assets at FVOCI		**1,610,035**	1,310,735
Properties under development	33	**198,504**	16,974
Properties held for sale	34	**229,244**	–
Pledged bank deposits	35	**1,653,224**	2,720,564
		9,758,591	10,143,416

54 PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation/ operation and kind of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CHS	Cayman Islands/ PRC, limited liability company	US$16,352,916	–	74	Manufacture and sale of gear products
Rich Unicorn Holdings Limited	BVI, limited liability company	US$94,018,997	100	–	Investment holding
Nanjing Fullshare Property Dazu Technology Company Limited (南京豐盛大族科技股份有限公司) ("Dazu")	PRC, wholly-foreign owned enterprise	RMB3,000,000,000	–	100	Real estate development and investments
Nanjing Deying Property Limited (南京德盈置業有限公司) ("Nanjing Deying")	PRC, wholly-foreign owned enterprise	RMB465,200,980	–	100	Property investment
Five Seasons VI Pty Limited	Australia, limited liability company	AU$100	–	100	Tourism
Sparrow Early Learning Pty Limited	Australia, limited liability company	AU$51,871,919	–	97	Education services

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

55 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group also had the following significant transactions with related parties during the year:

(i) Transactions with related parties

	Note	2020 RMB'000	2019 RMB'000
Associates:			
– Rental income and other charges	(i)	–	109
– Purchases of products	(ii)	742	25,279
– Sales of products	(iii)	365	1,655
– Receipt of loan lent and related interests	(iv)	7,892	24,117
– Interest income	(iv)	–	2,207
Joint ventures:			
– Acquisition of properties held for sale	(ix)	68,500	–
– Other charges	(i)	–	3,164
– Purchases of products	(ii)	1,053	831
– Sales of products	(iii)	29,523	16,407
– Repayment of loans principal and related interests	(v)	–	18,814
– Interest expense	(v)	14,881	19,065
The associates of the Group's ultimate controlling shareholder:			
– Green building design and consulting service income		–	3,718
The subsidiaries of the Group's ultimate controlling shareholder:			
– Management service income	(vi)	534	4,849
– Repayment of assigned loan	(viii)	–	169,743
– Acquisition of property, plant and equipment	(x)	96	–
The Group's controlling shareholder:			
– Loan received	(vii)	885,500	–
– Repayment of loan principal	(vii)	1,336,710	–
– Interest expense	(vii)	35,602	33,715
– Guarantees provided	(xi)	6,741	–

55 RELATED PARTY TRANSACTIONS *(continued)*

(i) Transactions with related parties *(continued)*

Note:

(i) Rental income and other charges mainly represented the arrangements about those the Group charged an associate and a joint venture for rental transactions, water and electricity expenses and other overhead costs according to the actual costs incurred.

(ii) The purchases from the associates and a joint venture were made according to the published prices and were agreed by both parties.

(iii) The sales to an associate and a joint ventures were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to six months is normally granted.

(iv) The Group entered into a loan agreement with Jiansheng to lend RMB28,000,000 in April 2018. During the year ended 31 December 2020, the loan balance of RMB7,000,000 (2019: RMB21,000,000) and related interest of RMB892,000 (2019: RMB3,117,000) were received.

(v) On 13 March 2017, the Group entered into an agreement with FVF I L.P. to borrow US$53,739,000 (equivalent to RMB370,558,000) at an annual interest rate of 8%. During the year ended 31 December 2020, RMB14,881,000 (2019: RMB19,065,000) of interest expense was recognised in profit or loss and the Group repaid the outstanding interests of RMBNil (2019: RMB18,814,000).

(vi) The management service income is generated from the transactions which are carried out on terms agreed by the Group and the counterparty, which is ultimately controlled by Mr. Ji.

(vii) The Group entered into several loan agreements with Magnolia Wealth International Limited ("Magnolia Wealth"), the immediate and ultimate holding company of the Company. As at 31 December 2020, amounts due to Magnolia Wealth are current and interest-free (2019: interest-free). During the year ended 31 December 2020, the Group recognised interest expense of RMB35,602,000 (2019: RMB33,715,000), received loan of RMB885,500,000 (2019: Nil) and repaid loan of RMB1,336,710,000 (2019: Nil).

(viii) On 18 March 2019, a deed of assignment was entered into between Jinbaolai Hongkong Trade Co., Limited (金寶來香港貿易有限公司) ("Jinbaolai"), an independent third party and Glorious Time Holdings Limited ("Glorious Time"), an entity in which Mr. Ji has beneficial interests, pursuant to which a loan receivable from the Group of US$24,184,000 (equivalent to approximately RMB169,743,000) was assigned by Jinbaolai to Glorious Time. The Group repaid US$216,000 (equivalent to approximately RMB1,489,000) during the year ended 31 December 2019.

(ix) On 25 March 2020, the Group acquired properties held for sale from a joint venture for a consideration of RMB68,500,000, which was based on the fair value at the transaction date.

(x) During the year ended 31 December 2020, the Group acquired certain property, plant and equipment from a company which is controlled by Mr. Ji together with the novation of office rental agreement.

(xi) During the year ended 31 December 2020, a guarantee of HK$8,000,000 (equivalent to RMB6,741,000) at maximum was provided by Mr. Ji to a subsidiary for securing its loan portfolio.

Except for the transactions with the Group's associates and joint ventures and payment/refund of deposits for potential acquisition, all the other related party transactions are all connected transactions, some of which have been reported and announced under Chapter 14A of the Listing Rules, others are exempted from reporting, announcement and shareholder approval requirements under the Listing Rules.

55 RELATED PARTY TRANSACTIONS *(continued)*

(ii) Outstanding balances arising from transactions with related parties:

The Group's outstanding balances with its related parties as at the end of the reporting period are disclosed in loans receivables (Note 28(i)) and other receivables (Note 28(iii)), prepayments (Note 32), trade receivables (Note 31), trade and bills payables (Note 36), other payables and accruals (Note 37) and bank and other borrowings (Note 38).

(iii) Outstanding guarantee provided by the Group to related parties:

(a) As at 31 December 2018, the Group has provided guarantees to Nanjing Jiangong Industrial and Nanjing Jiangong Group Co. Ltd. (南京建工集團有限公司) ("Nanjing Jiangong") in favour of their bank loans ("Bank Loans") of RMB1,150,000,000 in aggregate by pledging a commercial property directly held by Nanjing Deying (a wholly-owned subsidiary of the Company) with gross floor areas of approximately 100,605 square meters with auxiliary facilities located at Yuhuatai District, Nanjing, Jiangsu Province, the PRC.

On 13 June 2018 and 20 September 2018, each of Mr. Ji, Nanjing Jiangong Industrial and Nanjing Jiangong executed two guarantee letters (collectively referred to as the "Guarantee Letters") in favour of the Group. Pursuant to the Guarantee Letters, Mr. Ji undertook that before the Bank Loans are fully repaid or the pledge is released, the balance of loans granted by him (and/or any companies controlled by him) to the Group ("Granted Loans") shall be at least HK$900,000,000 (equivalent to RMB790,351,000) and HK$550,000,000 (equivalent to RMB482,992,000), respectively; Nanjing Jiangong Industrial and Nanjing Jiangong undertook that it would provide a loan to the Company with substantially the same commercial terms as the loan agreement or pledge assets with equivalent value to the Company.

During the year ended 31 December 2020, the Granted Loans together with the fair value of Mr. Ji's personal assets pledged in favour of the Company exceeded the outstanding amount of the Bank Loans. In the opinion of the directors, the guarantees provided by Mr. Ji in the Guarantee Letters shall be sufficient to indemnify against any liabilities of Nanjing Deying arising out of the pledged assets. Accordingly, no provision for the obligation due to financial guarantees has been made in the Group's consolidated financial statements at the end of the reporting period. Subsequent to the end of the reporting period, as the amount of Granted Loans outweighted the amount of the Bank Loans, the pledge of Mr. Ji's personal assets was released.

(b) Refer to Note 51(ii) for the further details of the Group's guarantees in relation to the loan agreements of related parties.

55 RELATED PARTY TRANSACTIONS *(continued)*

(iv) Compensations of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**18,794**	22,042
Post-employment benefits	**265**	530
Total compensations paid to key management personnel	**19,059**	22,572

(v) The number of key management personnel whose remuneration fell within the following bands is as follows:

	Number of employees 2020	 2019
HK$1 to HK$500,000	**1**	1
HK$500,001 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**2**	2
HK$3,000,001 to HK$3,500,000	**2**	2
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	1
	9	11

Further details of directors' and chief executives' emoluments are included in Note 13 to the consolidated financial statements.

56 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(i) Statement of financial position of the Company

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	7,795	9,663
Investments in subsidiaries	1,847,174	2,219,841
Financial assets at fair value through profit or loss	44,499	46,617
Right-of-use assets	23,142	28,483
	1,922,610	2,304,604
Current assets		
Amounts due from subsidiaries	14,863,471	16,007,985
Prepayments	4,018	4,679
Cash and cash equivalents	6,719	86,253
	14,874,208	16,098,917
Current liabilities		
Amounts due to subsidiaries	27,743	–
Other payables and accruals	121,000	73,921
Bank and other borrowings	853,240	644,193
Lease liabilities	5,117	5,472
Corporate bonds	–	9,040
	1,007,100	732,626
Net current assets	13,867,108	15,366,291
Total assets less current liabilities	15,789,718	17,670,895
Non-current liabilities		
Bank and other borrowings	–	945,319
Derivative financial instruments	43,362	59,952
Lease liabilities	19,985	26,241
Deferred tax liabilities	44,390	44,390
	107,737	1,075,902
Net assets	15,681,981	16,594,993
Equity		
Share capital	160,872	160,872
Reserves	15,521,109	16,434,121
Total equity	15,681,981	16,594,993

56 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(ii) Reserve movements of the Company

	Equity reserve RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Employee share trust reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	422,833	17,195,205	82,603	(35,258)	(808,973)	(453,160)	16,403,250
Total comprehensive income for the year	–	–	–	–	–	35,182	35,182
Share repurchased during the year	–	(4,311)	–	–	–	–	(4,311)
At 31 December 2019 and 1 January 2020	**422,833**	**17,190,894**	**82,603**	**(35,258)**	**(808,973)**	**(417,978)**	**16,434,121**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(913,012)**	**(913,012)**
At 31 December 2020	**422,833**	**17,190,894**	**82,603**	**(35,258)**	**(808,973)**	**(1,330,990)**	**15,521,109**

57 EVENTS AFTER THE REPORTING PERIOD

Very substantial disposal of 43% equity interests of Nanjing High Speed

On 30 March 2021, Nanjing Gear (as vendor) and Nanjing High Speed (as target company) entered into a conditional equity transfer agreement with an independent third party, Shanghai Wensheng Asset Management Co., Ltd (上海文盛資產管理股份有限公司) ("Shanghai Wensheng")(as purchaser), pursuant to which Nanjing Gear has conditionally agreed to dispose of 43% equity interest in Nanjing High Speed to Shanghai Wensheng or its designated related party for a consideration of RMB4,300,000,000 ("VSD Disposal"). After the completion of the VSD Disposal, Nanjing Gear would hold approximately 50.02% equity interests in Nanjing High Speed and Nanjing High Speed would continue to be the subsidiary of the Group. The VSD Disposal would be accounted for as equity transaction and it is expected that it will have no pre-tax gain or loss to be recognised in profit or loss arising from the VSD Disposal upon completion.

As at the date of approval of these consolidated financial statements, completion of the VSD Disposal is subject to the satisfaction of the conditions precedent set out in the equity transfer agreement.

Details of the VSD Disposal are set out in the joint announcement made by the Company and CHS dated 30 March 2021.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

Year ended 31 December	2016 RMB'000 (Restated) *(Note 2)*	2017 RMB'000 (Restated)	2018 RMB'000	2019 RMB'000 *(Note 1)*	**2020** **RMB'000** *(Note 1)*
RESULTS					
Revenue	4,311,423	11,026,457	10,288,651	11,163,103	**16,171,377**
Profit/(loss) before tax	3,743,202	3,112,891	(3,542,028)	(3,213,676)	**(297,432)**
Income tax(expense)/credit	(740,918)	(976,427)	479,571	369,558	**(400,848)**
Profit/(loss) for the year	3,002,284	2,136,464	(3,062,457)	(2,844,118)	**(698,280)**
Attributable to:					
Owners of the Company	3,086,019	2,267,453	(3,029,954)	(2,874,192)	**(894,305)**
Non-controlling interests	(83,735)	(130,989)	(32,503)	30,074	**196,025**
	3,002,284	2,136,464	(3,062,457)	(2,844,118)	**(698,280)**
ASSETS AND LIABILITIES					
Total assets	48,412,715	54,423,653	50,056,703	43,792,119	**43,564,472**
Total liabilities	(22,099,045)	(27,219,954)	(26,156,166)	(22,924,298)	**(22,767,492)**
Total equity	26,313,670	27,203,699	23,900,537	20,867,821	**20,796,980**
Attributable to:					
Equity shareholders of the Company	22,538,300	23,991,436	20,695,500	17,608,558	**17,175,701**
Non-controlling interests	3,775,370	3,212,263	3,205,037	3,259,263	**3,621,279**
	26,313,670	27,203,699	23,900,537	20,867,821	**20,796,980**

Note:

(1) The financial figures for the years ended 2019 and 2020 were extracted from the consolidated financial statements.

(2) The financial figures for the year ended 2016 have been restated due to the completion of the purchase price allocation of certain business combinations took place in the year ended 2016, as disclosed in Note 2.4 to the consolidated financial statements of the 2017 annual report.