CHINA HUAJUN GROUP LIMITED
中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

ANNUAL REPORT
2020

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Meng Guang Bao *(Chairman)*
Ms. Zhang Ye *(Chief Executive Officer)*
Ms. Huang Xiumei
Ms. Bao Limin

Independent Non-Executive Directors

Mr. Zheng Bailin
Mr. Shen Ruolei
Mr. Pun Chi Ping

Audit Committee

Mr. Pun Chi Ping *(Chairman)*
Mr. Zheng Bailin
Mr. Shen Ruolei

Remuneration Committee

Mr. Zheng Bailin *(Chairman)*
Mr. Shen Ruolei
Mr. Pun Chi Ping
Ms. Zhang Ye

Nomination Committee

Mr. Shen Ruolei *(Chairman)*
Mr. Zheng Bailin
Mr. Pun Chi Ping
Ms. Zhang Ye

Company Secretary

Mr. Tam Ka Lung

Authorised Representatives

Ms. Zhang Ye
Mr. Tam Ka Lung

Legal Advisers

Anthony Siu & Co. Solicitors & Notaries
Conyers Dill & Pearman

Auditor

SHINEWING (HK) CPA Limited

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Shanghai Company Limited
Industrial and Commercial Bank of China Limited
Jiangnan Rural Commercial Bank Company Limited
Shengjing Bank Company Limited
Yingkou Coastal Bank Company Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

36th Floor
Champion Tower
3 Garden Road
Central
Hong Kong

Principal Share Registrar and Transfer Office in Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Stock Code

377

Company Website

http://www.chinahuajungroup.com

Investor Relations Contact

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CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of China Huajun Group Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2020 (the "Current Year") for the shareholders' perusal.

Highlights

For the Current Year, revenue was approximately RMB3,515.5 million, representing a decrease of approximately RMB184.1 million, or approximately 5.0%, compared to revenue of approximately RMB3,699.6 million for the year ended 31 December 2019 (the "Last Year"). The overall decrease in revenue was attributable to the decrease in sales of petrochemical product trading and the printing business of the Group, mainly due to the uncertain marco-economic environment caused by COVID-19 during the Current Year.

Time goes swiftly on its way. Looking back to the year of 2020, the global environment changed dramatically and became more and more challenging. At the beginning of the year, the unexpected COVID-19 epidemic was severe and a difficult challenge to the society, enterprises and even the Company.

Prospect

The year of 2021 is a crucial year for the Group. We shall continue to assess the situation and implement suitable plans when appropriate. The global economic prospect remains uncertain as the overseas COVID-19 epidemic has not been under control. The domestic reformation is complicated and formidable when the competition between China and the United States has been intensified in multiple aspects. The profound changes in environment leads to new opportunities and challenges. All of us in Huajun shall adhere to the core enterprise value 'Committed to Stepping Forward". To continue serving our shareholders and customer with the quality services, we shall strengthen and develop our enterprise by taking advantage of policy of the Greater Bay area and leveraging the superior brand effect of the listing platform. At the same time, in order to perform better results, we shall keep enhancing our ability in management and operation and retain prudent financial strategy to optimise our financial structure.

Acknowledgement

Finally, on behalf of the board of directors of the Company, I would like to express my sincere gratitude to the shareholders, customers and business partners for their trust and support, and to all employees for their dedication and hard work!

Meng Guang Bao
Chairman

Hong Kong, 31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our Group has engaged in five core businesses, namely (i) Printing; (ii) Trading and Logistics; (iii) Property Development and Investments; (iv) Solar Photovoltaic; and (v) Financial Services.

Our strategy is to strengthen our foundation, better diversify our business portfolio, and continue to grow, both organically and through strategic acquisitions. We believe that this strategy will increase our shareholders value by creating an even stronger Huajun.

For the year ended 31 December 2020 (the "**Current Year**"), revenue was approximately RMB3,515.5 million, representing a decrease of approximately RMB184.1 million, or 5.0%, compared to revenue of approximately RMB3,699.6 million for the year ended 31 December 2019 (the "**Last Year**"). The overall decrease in revenue was attributable to the decrease in revenue generated from Printing and Trading and Logistics. The decrease in sale in Printing and Trading and Logistics business is mainly due to decrease in sales orders as a result of COVID-19 outbreak which lead to uncertain macroeconomic environment and poor consumption appetite. The logistics disruption in supply chain in the PRC in the first quarter of 2020 due to COVID-19 also adversely impact on trading and logistics businesses of our petrochemical products. The decreases were partially offset with the increase in revenue from Property Development and Investments business since the Group recognised revenue from sale of properties upon delivery of certain completed property units to customers during the Current Year.

For the Current Year, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 58.3% (Last Year: approximately 59.6%) of the total revenue followed by property development and investments segment which accounted for approximately 22.8% (Last Year: approximately 18.3%) of the total revenue. For the Current Year, local PRC sales continued to be our major source of revenue, representing approximately 92.0% (Last Year: 86.9%) of the total revenue.

The table below sets forth our Group's revenue by business segment for the Current Year and the Last Year:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB Million	**%**	RMB Million	%
Printing	**440.5**	**12.5%**	670.2	18.1%
Trading and logistics	**2,050.7**	**58.3%**	2,203.7	59.6%
Property development and investments	**802.7**	**22.8%**	677.0	18.3%
Solar photovoltaic	**109.5**	**3.1%**	92.7	2.5%
Financial services	**4.9**	**0.1%**	7.6	0.2%
Other	**107.2**	**3.2%**	48.4	1.3%
	3,515.5	**100%**	3,699.6	100%

The table below sets forth our Group's revenue by geographical locations based on the location by customers for the Current Year and the Last Year:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB Million	%	RMB Million	%
The PRC	**3,233.8**	**92.0%**	3,213.7	86.9%
The United States	**136.9**	**3.9%**	277.8	7.5%
Hong Kong	**39.7**	**1.1%**	58.0	1.6%
European countries	**44.8**	**1.3%**	79.7	2.2%
Other countries	**60.3**	**1.7%**	70.4	1.8%
	3,515.5	**100%**	3,699.6	100%

Set out below are details of the financial and trading prospects of the core business segments of the Group:

Printing

New Island Printing Group Company Limited (formerly known as New Island Printing Company Limited) ("**New Island**") is one of the leading and reputable printing and packaging companies in Hong Kong and the PRC. New Island produces high quality packaging and paper products with the capability to serve our international clients in the areas of beauty and cosmetics, pharmaceutical, food and beverage globally.

Due to the outbreak of COVID-19 during the year, the revenue of printing products decreased significantly, in particular for sales to oversea markets where were suffered from lockdown of community.

Trading and logistics

This segment is principally engaged in the distribution and sales of petrochemical products and provision of logistics services. This segment trades a large spectrum of petrochemical products. The Group expects vast demand of petrochemical products in Hong Kong and the PRC and with our strength of strong network of suppliers ensure stable supply of products managed by our team. All of our customers for petrochemical products are located in the PRC and the sales have gradually recovered in the second half of 2020 as the situation of COVID-19 in the PRC has been under control.

Property development and investments

This segment consists of land consolidation and development, property development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Group seeks to invest on development projects with asset appreciation potential for investment and enjoys asset appreciation while generating stable revenue. There are several core projects held by the Group and under development during the Current Year as follows:

Shanghai Huajun Plaza

Baohua Property Development (Shanghai) Company Limited*（保華房地產開發（上海）有限公司）(formerly known as Shanghai Baohua Wanlong Real Estates Company Limited*（上海保華萬隆置業有限公司））, an indirectly wholly-owned subsidiary of the Company, successfully bid for the land use rights of the land in Minhang District, Shanghai, the PRC through the auction held by Shanghai Minhang District Planning and Land Administration Bureau*（上海市閔行區規劃和土地管理局）offered for sale by way of tender at a bidding price of RMB2,305 million. The land is under development and will offer commercial and office complex named Shanghai Huajun Plaza*（上海華君廣場）(formerly known as Shanghai Bao Hua International Plaza*（上海保華國際廣場）) with total gross floor area ("**GFA**") of approximately 125,000 square metres. We have obtained the pre-sale certificate in January 2020, 40% of the office properties would be sold and the remaining office and commercial properties will be held for long term investment purpose to generate rental income.

Dalian Projects

Two property projects named Dalian Huajun Plaza*（大連華君廣場）(formerly known as Bao Hua Financial Centre*（保華金融中心）) and Bao Hua Wang Yuan*（保華旺苑）are located in Dalian City, Liaoning Province, the PRC. In particular, Dalian Huajun Plaza comprises a parcel of land with a site area of approximately 10,857.10 square meters situated at Xinghai Bay Business Area, Dalian City, the PRC. It is under development into a commercial and Grade A office development complex with total GFA of approximately 146,000 square meters to be erected thereon. The development will be developed into a 51-storey commercial and office complex with a 2-storey basement for car parking and ancillary uses.

Property for sale – Gaoyou

A commercial and residential project named Gaoyou Huafu Renjia*（高郵華府人家）(formerly known as Gaoyou Bao Hua – Jun Ting*（高郵保華 · 君庭）) with two phases and has a total sellable GFA of approximately 365,000 square meters located in Gaoyou City, Jiangsu Province, the PRC. First phase of the project has been completed and gradually handover to customers since the first quarter of 2020.

Property for sale – Wuxi Project

In 6 July 2018, the Group completed the acquisitions of (i) the entire equity interests in Huajun Properties (Wuxi) Co., Ltd.*（華君地產（無錫）有限公司）(formerly known as Baohua Properties (Wuxi) Co., Ltd.*（保華地產（無錫）有限公司）and Wuxi Huiling Real Estate Co., Ltd.*（無錫惠靈置業有限公司））; (ii) the entire equity interests in Wuxi Huiyuan Real Estate Co., Ltd.*（無錫市惠遠置業有限公司）("**Wuxi Huiyuan**"); and (iii) 55% equity interests in Wuxi Huize Real Estate Co., Ltd.*（無錫惠澤置業有限公司）(now known as Huajun Properties (Jiangyin) Co., Ltd.*（華君地產（江陰）有限公司））("**Wuxi Huize**") for a total consideration of RMB1,311.29 million, RMB291.95 million and RMB280.50 million respectively (collectively "**Wuxi Project**"). The Group further acquired 15% equity interests in Wuxi Huize in November 2018 at consideration of RMB76.5 million. The Group is in progress in acquiring the remaining 30% equity interests in and debt of Wuxi Huize at aggregate consideration of approximately RMB154.2 million. For details of acquisition, please refer to the circular of the Company dated 26 March 2020. Wuxi Project comprises:

(i) a completed building known as Wuai Renjia（五愛人家）located at Liangxi District, Wuxi City in the PRC with a 13-storey complex building for residential, office and retail purposes with total saleable/lettable area of approximately 20,000 square meters. On 31 July 2020, the Group has disposed of the entire equity interests in Wuxi Huiyuan, which including its principal assets, Wuai Renjia.

(ii) A residential development named as Zangpin Yuyuan（藏品裕苑）located at Jiangyin District, Wuxi City in the PRC with parcel of land with a site area of approximately 109,000 square metres, and a total of 4 phases of various residential and ancillary facilities which have been developed.

(iii) A parcel of land located at Binhu District, Wuxi City in the PRC with site area of approximately 163,000 square meters for residential development with project named Huajun Lake Bay Garden（華君湖灣花園）.

We have sold/pre-sale certain properties of Wuxi Project and have recognised revenue of approximately RMB540.6 million from the Wuxi Project during the Current Year.

Solar photovoltaic

The Group's production of solar products is located in Jiangsu Province in the PRC. To grasp the opportunity for growing trend of solar photovoltaic industry, during the Current Year, the Group sought to further expand the solar photovoltaic business and is in progress in acquiring certain properties and equipment relating to the production and manufacturing of photovoltaic related products. For details of the acquisition, please refer to the circular of the Company dated 5 November 2020.

Finance services

(i) Finance Lease

This segment consists of the leasing of land, property, plant and equipment, and other tangible assets. The operations of this segment is mainly located in the PRC where the Group seeks stable revenue with controllable risk.

(ii) Provision of Finance

The Group provides finance to prospective customers who would provide securities for the performance of their respective obligations to repay the Group. The Group will take a prudence approach to develop this business segment, diversify the customer portfolio and seek opportunity to cooperate with its business partners.

(iii) Securities Investments

The Group invests in Hong Kong and overseas securities. We mainly utilise the extensive investment experience of the management to make medium and short-term investments by searching for stable revenue with controllable risk, diversifying the corporate operating risk and improving asset liquidity of the Group.

(iv) Securities brokerage and assets management

The Group has a licensed corporation which is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong) ("**SFO**").

Financial Review

Revenue

Our Group's revenue for the Current Year was approximately RMB3,515.5 million, representing a decrease of approximately RMB184.1 million, or 5.0%, compared to revenue of approximately RMB3,699.6 million for the Last Year. For the Current Year, our Group's major business segments, namely (1) Printing reported a revenue of approximately RMB440.5 million (Last Year: approximately RMB670.2 million); (2) Trading and Logistics reported a revenue of approximately RMB2,050.7 million (Last Year: approximately RMB2,203.7 million); (3) Solar Photovoltaic recorded revenue of approximately RMB109.5 million (Last Year: approximately RMB92.7 million); (4) Property Development and Investments reported a revenue of approximately RMB802.7 million (Last Year: approximately RMB677.0 million); and (5) Financial Services recorded a revenue of approximately RMB4.9 million (Last Year: approximately RMB7.6 million). We also recorded revenue of approximately RMB69.6 million from sales of hydraulic machinery during the Current Year (Last year: RMB20.9 million) since we acquired Dalian Hydraulic Machinery Co., Limited*（大連液力機械有限公司）on 30 September 2019.

The overall decrease in revenue was attributable to the decrease in revenue generated from Printing and Trading and Logistics. The decrease in sale in Printing and Trading and Logistics business is mainly due to decrease in sales orders as a result of COVID-19 outbreak which lead to uncertain macroeconomic environment and poor consumption appetite. The logistics disruption in supply chain in the PRC in the first quarter of 2020 due to COVID-19 also adversely impact on trading and logistics businesses of our petrochemical products. The decreases were partially offset with the increase in revenue from Property Development and Investments business since the Group recognised revenue from sale of properties upon delivery of certain completed property projects to customers during the Current Year.

Gross profit and gross profit margin

Gross profit was approximately RMB40.9 million for the Current Year (Last Year: approximately RMB304.2 million), with gross profit margin of approximately 1.2% (Last Year: approximately 8.2%). The decrease was mainly due to decrease in gross profit of Property Development and Investment business and Printing as a result of COVID-19 outbreak and poor consumption appetite. During the Current Year, the Group recognized provision for write down of properties held for sales of approximately of RMB117.3 million (Last year: Nil), leading to the decrease in gross profit and gross profit margin of the Group.

Selling and distribution expenses

For the Current Year, selling and distribution expenses decreased by approximately RMB17.8 million or 11.7% to approximately RMB134.2 million, or 3.8% of revenue for the Current Year, from approximately RMB152.0 million, or 4.1% of revenue for the Last Year. The decrease was primarily due to the decrease in commission expenses, consultancy fees and freight and insurance expenses.

Administrative expenses

For the Current Year, administrative expenses decreased by approximately RMB26.1 million or 6.9% to approximately RMB354.1 million or 10.1% of revenue of the Current Year, from approximately RMB380.2 million, or 10.3% of revenue for the Last Year, was due to a decrease in staff costs and other business tax expenses.

Finance costs

Finance costs for the Current Year was approximately RMB898.7 million (Last Year: approximately RMB572.3 million). The increase was primarily due to increase in the average loan balances and increase lead to interest expense on bank and other borrowings, the increase was also due to accrual for penalty interest and provision for liquidated damage for certain loan agreements as disclosed in note 31.

Change in fair value of investment properties

During the Current Year, the Group recorded loss on changes in fair value of investment properties of RMB176.0 million compared to a gain of RMB237.9 million in the Last Year as a result of the decrease in fair value of investment properties held by the Group as at 31 December 2020.

Impairment loss of property, plant and equipment

The Group conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired, primarily due to closure of certain production lines of solar photovoltaic products because of the change in technology and less orders for products produced by such production facilities. The Group also assess the recoverable amount of property, plant and equipment of other loss making units and recognised total impairment losses of approximately RMB114.4 million during the Current Year.

Loss for the year

As a combined effect of the above, during the Current Year, our Group recorded a loss attributable to shareholders of the Company of approximately RMB1,573.8 million, as compared to a loss of approximately RMB644.7 million for the Last Year.

Liquidity, financial resources and capital structure

Shareholders' funds

Total shareholders' funds amounted to approximately RMB1,116.1 million as at 31 December 2020, as compared to approximately RMB2,721.2 million as at 31 December 2019, representing a decrease of 59.0%.

Financial position

As at 31 December 2020, the Group had current assets of approximately RMB9,037.6 million (31 December 2019: approximately RMB9,292.8 million) comprising cash and cash equivalents of approximately RMB219.1 million (31 December 2019: approximately RMB270.8 million), and current liabilities of approximately RMB13,758.3 million (31 December 2019: approximately RMB7,798.2 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.7 (31 December 2019: 1.2).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 65.3% as at 31 December 2020 as compared to 62.5% as at 31 December 2019.

Cash and cash equivalents

As at 31 December 2020, our Group had cash and cash equivalents of approximately RMB219.1 million (31 December 2019: approximately RMB270.8 million), most of which were denominated in Renminbi.

Borrowings

As at 31 December 2020, our Group had interest-bearing bank borrowings and other borrowings of approximately RMB10,209.9 million (31 December 2019: approximately RMB10,172.4 million). Of these borrowings, approximately RMB9,904.3 million (31 December 2019: approximately RMB9,772.8 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

Capital expenditure

For the Current Year, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB922.1 million (Last Year: approximately RMB1,475.5 million).

Pledge of assets

As at 31 December 2020, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB707.7 million, RMB299.3 million, RMB5,649.4 million, RMB5,104.5 million, RMB10.0 million, RMB46.9 million and RMB46.9 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

Foreign Exchange Risk Management

The Group is exposed to foreign currency risk on bank balances and cash, trade and other receivables, trade and other payables and borrowings that are denominated in currencies other than the functional currency of the operations to which they relate. The Directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates and entering into plain vanilla foreign exchange forward contracts where necessary to address short-term imbalances.

Contingent Liabilities

As at 31 December 2020, the Group has several outstanding legal proceedings with construction contractors, customers, suppliers and joint venture partner that against the Group in the PRC in relation to the Group's property development and investment, printing and solar photovoltaic segment. Apart from disclosed below, the directors consider that all other legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

(a) A cooperation agreement entered between the Group and an independent third party in June 2017 were not proceeded due to the failure to comply with certain urban renewal policies in Guangdong Province, the PRC and the relating project shall be terminated. Accordingly, the counterparty has raised a civil prosecution to Guangdong High Court against the Group regarding the breach of the cooperation agreement. The hearing was held on 29 March 2019 and a judgement was handed down by Guangdong High Court on 29 September 2019, requesting the Group to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000 to the counterparty. The Group filed an appeal to the Guangdong High Court and the hearing was held in October 2020. The appeal was rejected and the Group is still liable to refund the deposit of RMB50,000,000 and pay damages of RMB80,000,000. The Group has made a provision of RMB80,000,000 in respect of the damages in the financial statement. In December 2020, the Group has applied for retrial to the Supreme People's Court.

(b) On 6 March 2018, the Group entered into three share transfer agreements with an independent third party for the transfer of equity interest of three property companies in Wuxi. The Group failed to pay the outstanding consideration and related interest on or before 12 March 2018. The counterparty raised a civil prosecution to the Jiangsu High Court against the Group on 20 April 2020. The hearing was held on 14 August 2020 and a judgement was handed down on 14 September 2020, requesting the Group to pay for damages of approximately RMB31,574,000 to the counterparty. The Group filed an appeal to Jiangsu High Court and the hearing was held on 25 March 2021 but judgement was not handed down yet. The Group has made a provision of RMB31,574,000 based on initial judgement handed down by the Jiangsu High Court.

Environmental Policies and Performance

The Group recognises environmental protection is of vital important to the long-term development of the Group. In order to minimise the environmental impact, the Group will continue to review and improve the effectiveness of its management practices from time to time.

A separate report "Environmental, Social, and Governance Report" will be published by the end of May 2021. For details, please refer to the Company's website.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Meng Guang Bao (孟廣寶先生), aged 48, joined the Company and has been appointed as an Executive Director and the Chairman of the Board of the Company in September 2014. He holds a bachelor's degree in law from 哈爾濱工業大學 (Harbin Institute of Technology) in the PRC. Mr. Meng was a senior partner of 遼寧華君律師事務所 (Liaoning Huajun Law Firm) since 1998 and resigned in August 2020.

Ms. Zhang Ye (張曄女士), aged 45, joined the Company and has been appointed as an Executive Director and Chief Executive Officer of the Company on 20 December 2017. She holds a master's degree of finance from Peking University and an MBA degree from the Wharton School at the University of Pennsylvania. Ms. Zhang has extensive financial and investment experience and has been working in both financial and investment fields for over a decade. Ms. Zhang has worked at Matlin Patterson Global Opportunities Fund, Bank of China Group Investment Limited and China Merchants Securities (HK) Co., Limited. She is also a director of several subsidiaries of the Company.

Ms. Huang Xiumei (黃秀梅女士), aged 43, has been appointed as an Executive Director of the Company on 27 February 2020, she is a practicing lawyer in the PRC. Ms. Huang has around 20 years of experience in legal industry and over 10 years of experience in corporate administration, investment and risk management. She is practicing and being a partner in Liaoning Huajun Law Firm 遼寧華君律師事務所. She joined the Company as the Vice President of Legal & Compliance department in June 2016.

Ms. Bao Limin (包麗敏女士), aged 43, joined the Company in June 2016 and has been appointed as an Executive Director and Chief Risk Officer of the Company on 14 April 2020. She holds a bachelor's degree in economic law from 西南政法大學 (Southwest University of Political Science and Law) and a master's degree in law from 遼寧大學 (Liaoning University). She is a practicing lawyer in the PRC. She has worked in Liaoning Huajun Law Firm 遼寧華君律師事務所 since 2006 and is practicing as a partner currently.

Independent Non-executive Directors

Mr. Zheng Bailin (鄭柏林先生), aged 75, joined the Company in September 2014 and has been appointed as our Independent Non-executive Director. Mr. Zheng is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He holds a bachelor's degree in Spanish. Mr. Zheng was employed by Citicorp International Limited from 2007 to 2008, with his last position as a senior adviser of Greater China of China marketing department. Mr. Zheng worked in Bank of China and was the head of its Shanghai branch, general manager of Hong Kong Kwangtung Provincial Bank, managing director of Bank of China, London Branch and general manager of Bank of China, New York Branch. Mr. Zheng has been honoured by the Department of State, State of New York, as one of the recipients of the "Outstanding 50 Chinese Americans in Business Award" in 2001.

Mr. Shen Ruolei (沈若雷先生), aged 75, joined the Company in September 2014 and has been appointed as our Independent Non-executive Director. Mr. Shen is also the Chairman of the Nomination Committee and a member of Audit Committee and Remuneration Committee. He holds a bachelor's degree from 中央財經大學 (Central University of Finance and Economics (formerly known as 中央財政金融學院 (Central Finance and Economics College)). Mr. Shen was an independent non-executive director of China Trustful Group Limited (stock code: 8265) from February 2016 to January 2020. Mr. Shen currently serves as a chief executive officer of an enterprise established in the PRC which involves in managing investments. Mr. Shen has extensive experience in the banking industry. He was the head of Shanghai branch of Industrial and Commercial Bank of China from June 1992 to June 1997. He was a director of Shanghai Commercial Bank and Bank of Shanghai from March 1999 to May 2012 and from April 2005 to April 2013 respectively. Mr. Shen was also the general manager and chairman of the board of directors of Shanghai United International Investment Ltd. from September 1998 to February 2012.

Mr. Pun Chi Ping (潘治平先生), aged 54, joined the Company in October 2010 and has been appointed as our Independent Non-executive Director. Mr. Pun is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Pun is also an independent non-executive director of Birmingham Sports Holdings Limited (stock code: 2309) and EPI (Holdings) Limited (stock code: 689) respectively. He holds a Master's degree of Science in Finance and a Bachelor degree of Arts in Accountancy, both from the City University of Hong Kong. Mr. Pun is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Pun has extensive experience in corporate finance, accounting and auditing. Mr. Pun currently acts as the financial controller of Poly Property Group Co., Limited (stock code: 119).

Senior Management

Mr. Tam Ka Lung (譚家龍先生), aged 42, is the Chief Financial Officer and Company Secretary of the Company. He graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration (Hons) Accounting degree. Mr. Tam is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has extensive experience in auditing, financial management, corporate governance, merger and acquisitions and IPO. Prior to joining the Company, Mr. Tam has worked in KPMG Hong Kong for more than 10 years and his last position before leaving was audit senior manager. He joined the Company in November 2014. He is also a director of several subsidiaries of the Company.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board believes that good corporate governance practices are increasingly important for maintaining and promoting the confidence of the Shareholders. The Company is committed to ensuring a high standard of corporate governance. The Board reviews the corporate governance practices of the Group from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

The Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the Current Year.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

Board of Directors

The Board is responsible for establishing strategic directions, setting objectives and business plans and monitoring business performance. The management is responsible for the day-to-day management and operations of their respective individual business units.

The Board has established a schedule of matters specifically reserved to the Board for its decisions and those reserved for the management. The Board reviews this schedule from time to time to ensure that it remains appropriate to the needs of the Group.

The Board currently comprises four executive Directors, namely Mr. Meng Guang Bao (Chairman), Ms. Zhang Ye (Chief Executive Officer), Ms. Huang Xiumei and Ms. Bao Limin and three independent non-executive Directors, namely Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping. The biographical details of the Directors are set out under the section headed "Biography of Directors and Senior Management" on pages 14 to 15 of this annual report.

The roles of the chairman of the Board and chief executive officer of the Company are separate and exercised by different individual, namely, Mr. Meng Guang Bao and Ms. Zhang Ye respectively. The list of Directors and their respective role and function are currently available on the Group's website at http://www.chinahuajungroup.com and on HKEx's website at http://www.hkex.com.hk.

Each of the independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of Mr. Zheng Bailin and Mr. Shen Ruolei is appointed for a specific term of two years and Mr. Pun Chi Ping is appointed for a specific term of one year. The appointment is subject to re-election and shall be automatically renewed for successive terms of one year or two years respectively unless terminated by either party in writing prior to the expiry of the term.

The broad spectrum of background of the independent non-executive Directors is valuable on the diversified perspectives in the Board. They come from diverse business and professional backgrounds. They have experiences in general management to professional knowledge, from PRC business to global enterprise. All of them have proven experiences in corporate strategies, risk management and corporate governance.

The Company has received from each of the independent nonexecutive Directors an annual confirmation in writing of his independence and is satisfied that each of them continues to be independent in accordance with the requirements of the Listing Rules.

By virtue of A.4.3 of the CG Code, the re-appointment of Mr. Pun Chi Ping, who has served the Board for more than 9 years, has been approved by shareholders as a separate resolution at the general meeting held on 18 June 2020.

The Company provides a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary.

During the Current Year, all Directors, namely, Mr. Meng Guang Bao, Ms. Zhang Ye, Ms. Huang Xiumei, Ms. Bao Limin, Mr. Zheng Bailin, Mr. Shen Ruolei, and Mr. Pun Chi Ping proactively participated in continuous professional training including the professional training and reading materials provided by the Company and developed and updated their knowledge and skills to ensure that their contribution to the Board remained comprehensively informed and relevant. The Company has received confirmation from all Directors of their respective training records for the Current Year.

CORPORATE GOVERNANCE REPORT *(continued)*

The Board meets no less than four times a year to review, inter alia, the financial and operational performance of the Group. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to the meeting in accordance with the Listing Rules and the CG Code. The Board has established a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. Appropriate insurance policy and cover for Directors have been arranged as well.

There were seventeen Board meetings, five special general meetings and one annual general meeting held in the Current Year. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each director of Board meetings and general meetings during the Current Year is set out below:

Directors	**Attendance of Board meetings**	**Attendance of general meetings**
Executive Directors:		
Mr. Meng Guang Bao *(Chairman) (Note 1)*	10/10	1/3
Ms. Zhang Ye	17/17	6/6
Mr. Guo Song *(Note 2)*	3/4	N/A
Mr. Zeng Hongbo *(Note 3)*	5/6	N/A
Ms. Huang Xiumei *(Note 2)*	13/13	1/6
Ms. Bao Limin *(Note 3)*	11/11	1/6
Independent Non-executive Directors:		
Mr. Zheng Bailin	17/17	1/6
Mr. Shen Ruolei	17/17	1/6
Mr. Pun Chi Ping	17/17	5/6

Notes:

1. During the Current Year, Mr. Meng Guang Bao was required to abstain from voting on the relevant resolutions in 3 general meetings and his attendance of these meetings were therefore excluded from the table.

2. Mr. Guo Song resigned as executive Director on 27 February 2020 and Ms. Huang Xiumei has been appointed as executive Director with effect from 27 February 2020.

3. Mr. Zeng Hongbo resigned as executive Director on 14 April 2020 and Ms. Bao Limin has been appointed as executive Director with effect from 14 April 2020.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established in 2005 pursuant to the recommendations of the CG Code. The primary duty of the Remuneration Committee includes assisting the Board to oversee the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors and senior management of the Company and recommend to the Board the remuneration packages of Directors, including individual executive Directors, and senior management of the Company. The Remuneration Committee's authority and duties are set out in written terms of reference, which have been revised by the Board on 21 December 2018 that are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEX").

During the Current Year and up to the date of this annual report, the Remuneration Committee consists of 4 members, namely Mr. Zheng Bailin, who is the chairman of the Remuneration Committee, Mr. Shen Ruolei, Ms. Zhang Ye and Mr. Pun Chi Ping. The majority of the members of the Remuneration Committee are independent non-executive Directors.

The Company aims to design a remuneration policy that attracts and retains executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies of the Group while at the same time taking into account the performance of the individuals. The remuneration should reflect, inter alia, the performance and responsibilities of the individuals; and the remuneration packages are structured to include salary, bonus and other benefits to provide incentives to directors and senior management of the Group and to improve their individual performance.

For the Current Year, the remuneration of individual Directors is disclosed by name in note 14 to the consolidated financial statements, while the remuneration of senior management is disclosed by bands as follows:

	Year ended 31 December 2020 Number of individuals	Year ended 31 December 2019 Number of individuals
HK$1,500,001 to HK$2,000,000	**1**	1

The Remuneration Committee met once during the Current Year and the work carried out by the Remuneration Committee included the following:

– reviewed the remuneration policy of the Group; and

– reviewed the specific remuneration packages of the Directors' including executive Directors and senior management of the Group for the Current Year.

All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Remuneration Committee at the Remuneration Committee meeting during the Current Year is set out below:

Remuneration Committee Members	Attendance
Mr. Zheng Bailin *(Chairman)*	1/1
Ms. Zhang Ye	1/1
Mr. Shen Ruolei	1/1
Mr. Pun Chi Ping	1/1

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established in 2012, pursuant to the recommendations of the CG Code. The primary duty of the Nomination Committee includes making recommendations to the Board on the appointment and re-appointment of directors, structure, size and composition of the Board and to maintain a balance of skills, experience and diversity of perspectives on the Board which are appropriate to the requirements of the Company's business.

During the Current Year and up to the date of this report, the Nomination Committee consists of 4 members, namely Mr. Shen Ruolei, who is the chairman of the Nomination Committee, Ms. Zhang Ye, Mr. Pun Chi Ping and Mr. Zheng Bailin. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Board adopted a board diversity policy (the "Board Diversity Policy") with the primary objective of enhancing the effectiveness of the Board and its corporate governance standard. The Company recognizes the importance of having a diverse team of Board members, which is an essential element in maintaining a competitive advantage. The Nomination Committee has been delegated the authority to review and assess the diversity of the Board and its skills and experience by considering a number of factors including but not limited to, gender, age, cultural and educational background, and professional experience. When identifying and selecting suitably qualified candidates for recommendation to the Board, the Nomination Committee will give consideration to the Board Diversity Policy whereby selection of candidates will be based on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee reviews and monitors the implementation of the Board Diversity Policy and makes recommendation to the Board as appropriate.

The Nomination Committee met once during the Current Year. At the meeting, all members of the Nomination Committee were present and performed the work including the following:

– reviewing the structure, size and composition of the Board;

– identifying individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships;

– assessing the independence of independent non-executive Directors;

– recognising the importance of having a broad complement of skills, experience and professional knowledge on the Board; and

– reviewing Board Diversity Policy and the measurable objectives for nomination policy and the Board Diversity Policy.

The Nomination Committee formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience, expertise and diversity of perspectives appropriate to the business requirements of the Company during the Current Year.

All business transacted at the above meeting has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Nomination Committee Meeting during the Current Year is set out below:

Nomination Committee Members	Attendance
Mr. Shen Ruolei *(Chairman)*	1/1
Ms. Zhang Ye	1/1
Mr. Pun Chi Ping	1/1
Mr. Zheng Bailin	1/1

Audit Committee

The audit committee of the Company (the "Audit Committee") was established in 2004 pursuant to the recommendations of the CG Code. The primary duty of the Audit Committee includes assisting the Board to monitor integrity of financial statements, oversee the relationship between the Company and its external auditors, ensure effective risk management and internal control systems of the Group are in place and good corporate governance standards and practices are maintained within the Group. The Audit Committee's authority and duties are set out in written terms of reference, which have been revised by the Board on 21 December 2018 and are available on the websites of the Company and HKEX.

During the Current Year and up to the date of this report, the Audit Committee comprises 3 independent non-executive Directors and reports directly to the Board. The Audit Committee meets regularly with the Group's senior management and the Company's external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company.

The Audit Committee held three meetings during the Current Year and the work carried out by the Audit Committee included the following:

– reviewing the audited consolidated financial statements of the Group;

– reviewing the unaudited interim financial report of the Group;

– reviewing and discussing with the Company's external auditor in respect of the audit plan for the consolidated financial statements of the Group;

– reviewing and discussing with the senior management of the Group and the external auditor of the Company major accounting, audit, risk management and internal control issues;

– reviewing and discussing with the senior management of the Group the corporate governance practices and compliance issues of the Group;

– reviewing the independence and objectivity of the external auditor of the Company;

– monitoring the non-audit services undertaken by the Company's external auditor or their affiliates;

– reviewing and approving the remuneration and terms of engagement of the external auditor of the Company; and

– performing corporate governance duty delegated by the Board.

All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

The attendance of each member of the Audit Committee at the Audit Committee meeting during the Current Year is set out below:

Audit Committee Members	**Attendance**
Mr. Pun Chi Ping *(Chairman)*	3/3
Mr. Zheng Bailin	3/3
Mr. Shen Ruolei	3/3

The Audit Committee meets with the chief financial officer, chief executive officer and other management of the Group from time to time for the purposes of reviewing the interim and annual results, the interim and annual reports, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations with the management, the Group's internal and external auditors, with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards. It also meets with the Company's external auditor, SHINEWING (HK) CPA Limited, to consider their report on the scope, strategy, progress and outcome of audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, separately without the presence of the management.

Corporate Governance Functions

The Board has the overall responsibility for the corporate governance of the Group and reviews its effectiveness, and adopts all necessary and appropriate actions, to maintain sufficient and effective corporate governance policy and functions from time to time. The Audit Committee assists the Board in the review of the corporate governance policy and functions to ensure the upholding of good corporate governance which are of the best interests of the Shareholders and the Group.

The Audit Committee has, during the Current Year, made arrangements to review the Group's the policies and practices on corporate governance and make recommendations to the Board, to review and monitor the policies and practices of the Group on compliance with legal and regulatory requirements, and to review the compliance by the Group with the CG Code and the disclosure requirements for the Corporate Governance Report.

Risk Management and Internal Control

The Board has the responsibility for the reviewing risk management and internal control systems of the Group and examining its effectiveness, and to adopt all necessary and appropriate actions, to maintain sufficient and effective risk management and internal control systems from time to time. The Audit Committee assists the Board in the review at least annually, which covers operational, financial and compliance controls and risk management functions, in order to maintain an adequate and effective risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

The Directors have made arrangements to review the Group's risk management and internal control systems as well as the adequacy of resource, qualification and experience of the staff of the Group's accounting and financial reporting function for the Current Year. The purpose of the review was to provide a reasonable assurance on the effectiveness and efficiency of the Group's operations in achieving the established corporate objectives, to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records of the Group for the provision of reliable financial information for internal use and for publication, and to ensure the Group's compliance with relevant legislation and regulations.

The Board considered that the risk management and internal control systems of the Group are effective in material respect but have areas for improvement to enhance the implementation of internal control procedures.

Auditor's Remuneration

During the Current Year:

(a) the Company's current auditor, SHINGWING (HK) CPA Limited, charged the Group RMB2.9 million for audit services.

(b) Other auditors of the Company's subsidiaries charged RMB0.4 million for audit services.

Company Secretary

Mr. Tam Ka Lung, the Company Secretary of the Company, is employed on a full time basis and has taken no less than 15 hours of the relevant professional training during the Current Year. Our Company Secretary coordinates and supplies information to the Directors. Our Company Secretary ensures that board procedures and all applicable rules and regulations are complied with for all board meetings.

Financial Reporting

Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required under the Listing Rules. The statement of the external auditors of the Company, SHINEWING (HK) CPA Limited (the "Auditors"), about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 44 to 46. The Auditors issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Group for the year ended 31 December 2020 as set out in the paragraph headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report.

The Auditors had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has and will, among other things, taken the steps as disclosed in note 2 to the consolidated financial statements. In addition, the Company has formulated plans to dispose of its property assets to enhance its liquidity and repayment of loans in year 2021. In March 2021, the Group has obtained a letter of intent for new banking facilities of approximately RMB2,658.8 million issued by Yingkou Coastal Bank. The Group is expected to utilise such banking facilities to refinance certain borrowings of the Group.

Based on the above, in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position. The Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered and accepted the Auditors' rationale and understood their consideration in arriving their opinion.

Communications with Shareholders

The objective of communications with Shareholders is to ensure that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. In this respect, a written shareholders communication policy has been established and is currently available on the Group's website at http://www.chinahuajungroup.com.

The Company uses a range of communication tools to ensure Shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. The Company's website offers a communication channel between the Company and the Shareholders, and is frequently updated with key information of the Group.

At the Company's annual general meeting held on 18 June 2020, separate resolutions were proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

The Company regularly informs the Shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. A consolidated version of the Company's Memorandum of Association and Bye-laws is currently available on the Group's website at http://www.chinahuajungroup.com and on HKEx's website at http://www.hkex.com.hk. There is no significant change in the Company's Memorandum of Association and Bye-laws during the Current Year.

Shareholders' Rights

Procedures for Convening of Special General Meeting ("SGM") on requisition of Shareholders

(1) The directors of the Company, notwithstanding anything in the Company's bye-laws shall, on the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business at, 36th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong. Such requisition may consist of several documents in like form each signed by one or more requisitionists.

(3) The requisition will be verified with the Company's Share Registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to include the resolutions in the agenda for the SGM. And such meeting shall be held within two months after the deposit of such requisition.

(4) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

(5) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Procedures for sending enquiries to the Board

The enquiries must be in writing with contact information of the enquirers and submitted to the Company Secretary at the Company's principal place of business at 36th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

Procedures for Shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred Shareholders, can request the Company in writing to:

(a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) circulate to Shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisitions.

Conclusion

The Board believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of the Group's assets and effective allocation of the Group's resources as well as protecting the interests of the Shareholders. The management is committed to advocating good practice in corporate governance and will strive to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements of China Huajun Group Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") for the Current Year.

Principal Activities

The Company acts as an investment holding company. During the Current Year, the Group has engaged in five core business, namely (i) Printing; (ii) Trading and Logistics; (iii) Property Development and Investments; (iv) Solar Photovoltaic; and (v) Financial Services.

A review of the business of the Group during the Current Year, a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business are set out under the section headed "Management discussion and analysis" in this annual report.

The analysis of the geographical segments of the operations of the Company and its subsidiaries during the year is set out in note 7 to the consolidated financial statements.

Financial Statements

The profit/loss of the Group for the Current Year and the state of the Group's and the Company's affairs as at that date are set out in the consolidated financial statements on pages 47 to 51 and 208 respectively.

Dividend

The Board did not recommend the payment of a final dividend for the Current Year (Last Year: Nil).

Dividend Policy

The Company has adopted a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the bye-laws of the Company. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

Charitable Donations

Charitable donations made by the Group during the Current Year amounted to RMB237,000.

Change of Company Name

Following the special resolution passed by the shareholders of the Company at the special general meeting held on 28 August 2020, the English name of the Company has been changed from "Huajun International Group Limited" to "China Huajun Group Limited", and "中國華君集團有限公司" has been adopted in replace of "華君國際集團有限公司" as the secondary name of the Company. For further details, please refer to the announcement of the Company dated 15 October 2020.

Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2020 are set out in note 51 to the consolidated financial statements.

Five Years Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 212.

Major Suppliers and Customers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the Current Year is as follows:

	%
Sales	
Five largest customers in aggregate	24.5%
The largest customer	15.0%
Purchases	
Five largest suppliers in aggregate	38.9%
The largest supplier	16.6%

At no time during the Current Year have the Directors, their associates or any shareholder (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any interests as defined in the Listing Rules in these major customers and suppliers.

Property, Plant and Equipment

Movements in property, plant and equipment during the Current Year are set out in note 16 to the consolidated financial statements.

Investment Properties

Movements in investment properties during the Current Year are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company are set out in note 39 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 52 and note 52 to the consolidated financial statements respectively.

As at 31 December 2020, the Company's reserves available for distribution calculated in accordance with the provisions of the Bermuda Companies Act 1981 was Nil (31 December 2019: Nil).

Borrowings

Particulars of borrowings of the Group at 31 December 2020 are set out in note 31 to the consolidated financial statements.

Directors

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

Executive Directors:

Mr. Meng Guang Bao *(Chairman)*
Ms. Zhang Ye
Ms. Huang Xiumei (appointed on 27 February 2020)
Ms. Bao Limin (appointed on 14 April 2020)
Mr. Guo Song (resigned on 27 February 2020)
Mr. Zeng Hongbo (resigned on 14 April 2020)

Independent Non-executive Directors:

Mr. Zheng Bailin
Mr. Shen Ruolei
Mr. Pun Chi Ping

Mr. Meng Guang Bao, Ms. Huang Xiumei and Mr. Shen Ruolei will retire by rotation from office in accordance with the Bye-laws 87 of the Company at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Mr. Pun Chi Ping has served the Board as independent non-executive Director for more than 9 years. During the Current Year, he has contributed the Board by providing independence view points and advices to the Company. Based on the above and the annual confirmation of the independence received, the Company considers Mr. Pun Chi Ping is still independent to the Company.

Changes in Information of Director

Mr. Meng Guang Bao resigned as senior partner of 遼寧華君律師事務所 (Liaoning Huajun Law Firm) with effect from 19 August 2020.

Save as disclosed above and in this annual report, there is no other change to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts

No Director has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the directors' remuneration of the Company are set out in note 14 to the consolidated financial statements.

Related Party Transactions

Details of transactions between the Group and parties regarded as "Related Parties" under applicable accounting principles are set out in note 49 to the consolidated financial statements. Save for those disclosed under the section in "Connected Transactions" below, no transaction disclosed thereto constitutes connected transaction or continuing connected transaction of the Company which is subject to, among other things, reporting, announcement or independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Directors' Interests in Competing Business

As at 31 December 2020, none of the Directors and their respective associates was interested in any 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.

Although certain associates of Mr. Meng are engaged in property development and property management, which is one of the principal businesses of the Group, the said associates of Mr. Meng carries out their business in considerable distance, i.e. over 100 kilometers, from the location where the property developments of the Group are situated at. Accordingly, there is no competition rendered in between the business of the Group and the business engaged by Mr. Meng's associates. Therefore, the Board is of the view that Mr. Meng and his associates were not interested in any 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.

Connected Transactions

Details of the connected transactions of the Company during the Current Year are set out below:

Issue of Convertible Bonds to CHG BVI

On 22 January 2020, the Company entered into a conditional agreement with China Huajun Group Limited, a company incorporated in British Virgin Islands and the then controlling shareholder of the Company ("CHG BVI"), pursuant to which the Company agreed to issue and CHG BVI agreed to subscribe the convertible bond in the principal amount of HK$1,000,000,000 at the issue price of 100% of the principal amount of the convertible bond (the "Issue of CB").

The Company looked for opportunities to repay certain borrowings and finance its operation. After comparing with several alternatives, the board of directors considered that the Issue of CB is less time-consuming and have less impacts on the financial performance of the Group.

The convertible bond carries the right to convert into 26,315,789 ordinary share at the conversion price of HK$38.00 per share, which may be exercised by the bondholder to convert in whole or in any part (in the multiple of HK$1,000,000). In any event, the conversion rights shall not be exercised to an extent that public float shall fall below 25% or in breach of applicable laws and regulations.

The maturity date of the convertible bond falls on the fifth anniversary from the date of issue of the convertible bond with interest-fee. At maturity, all outstanding principal amount of the convertible bond which have not been redeemed or converted will be redeemed by the Company at the principal amount of the convertible bond according to the instrument of the convertible bond.

As certain conditions of the Issue of CB were not fulfilled on or before the long stop date, the Issue of CB lapsed on 1 July 2020. For further details, please refer to the Company's circular dated 29 April 2020 and the announcements dated 22 January 2020 and 2 July 2020.

As CHG BVI was the then substantial shareholder of the Company at the material time of the Issue of CB and was then ultimately wholly and beneficially owned by Mr. Meng, who is a director and controlling shareholder of the Company, CHG BVI was then connected person of the Company under the Listing Rules. The Issue of CB therefore constituted a connected transaction of the Company.

Dalian Henglifeng Project

On 5 June 2020, Huajun Department Store (Dalian) Co., Ltd.*（華君百貨（大連）有限公司）, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with Chinese Meng Group Co., Limited（中國孟集團股份有限公司）, as vendor, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the entire equity interest in and the debt owed to the vendor by Henglifeng Mall (Dalian) Co., Ltd.*（恒利豐商城（大連）有限公司）at the aggregate consideration of RMB98,800,000 (equivalent to approximately HK$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK$9,592,000) being the consideration for the the entire equity Interest and RMB90,000,000 (equivalent to approximately HK$98,100,000) being the consideration for the debt.

The consideration shall be satisfied by issue of convertible bond to the vendor or its nominee. The convertible bond carries the right to convert into 2,834,000 ordinary shares at HK$38.00 per share, which may be exercised by the bondholder to convert in whole or in any part (in the multiple of HK$1,000,000). Save as disclosed, the principal terms of the convertible bond that may be issued are the same as the convertible bond of the Issue of CB.

As at the date of this report, the acquisition has not yet completed. For further details, please refer to the circular of the Company dated 7 September 2020 and the announcement of the Company dated 5 June 2020 and 1 September 2020.

As the vendor is ultimately wholly owned by Mr. Meng, chairman of the Board and executive Director of the Company. Accordingly, the vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. As such, the acquisition constitutes as a connected transaction under Chapter 14A of the Listing Rules.

Acquisition of Solar Photovoltaic Assets

On 30 June 2020, Huajun Power Technology (Jiangsu) Co., Ltd.*（華君電力科技（江蘇）有限公司）, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, as purchaser, entered into two separate agreements with Jurong Simaite Intelligent Science and Technology Co., Ltd.*（句容思麥特智能科技有限公司）(the "Vendor A") (the "Agreement A") and Huajun Power (Jurong) Co., Ltd.*（華君電力（句容）有限公司）(the "Vendor B", together with the Vendor A as the "Vendors") (the "Agreement B") as vendors respectively.

Pursuant to the Agreement A, the Vendor A conditionally agreed to sell, and the purchaser conditionally agreed to purchase the properties erected on land parcel situate at Guozhuang Town Airport Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC of industrial use with the total land area of approximately 65,700 sq.m. and the total building area of approximately 41,800 sq.m. and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement A (the "Assets A") at the Consideration A of RMB87,000,000 (equivalent to approximately HK$94,830,000) subject to downward adjustment based on the valued amount of the Assets A.

Pursuant to the Agreement B, the Vendor B has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase the properties erected on land parcel situate at Guozhuang Town, Jurong City, Jiangsu Province, the PRC of industrial use with the total land area of approximately 74,000 sq.m. and the total building area of approximately 43,000 sq.m. and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement B (the "Assets B") at the Consideration B of RMB271,725,000 (equivalent to approximately HK$296,180,250) subject to downward adjustment based on the valued amount of the Assets B.

The Consideration A and Consideration B shall be satisfied either by cash and/or by issue of convertible bond at the absolute discretion of the purchaser to the vendors or their nominee. The convertible bond carries the right to convert into 10,289,743 ordinary shares at HK$38.00 per share, which maybe exercise by the bondholders to convert in whole or in any part (in the multiple of HK$1,000,000). Save as disclosed, the principal terms of the convertible bond that may be issued are the same as the convertible bond of the Issue of CB.

As at the date of this report, the acquisition has not yet completed. For further details, please refer to the circular of the Company dated 5 November 2020 and the announcements of the Company dated 30 June 2020, 17 July 2020 and 22 October 2020.

As each of the Vendor A and the Vendor B are indirectly wholly owned by Mr. Meng and his spouse. Accordingly, the vendors are associates of Mr. Meng, a connected person of the Company under the Listing Rules. As such, the transactions constitute as connected transactions under Chapter 14A of the Listing Rules.

Contracts with Controlling Shareholders

Save as disclosed under the section headed "Connected Transactions" above and the note 49 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries, at any time during the Current Year. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company or any of their subsidiaries.

Interests and/or Short Positions of the Directors and Chief Executive of the Company in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

Interests of Directors and chief executive

As at 31 December 2020, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

Director	Nature of interests	Number of Shares	Approximate percentage of interests in the issued share capital of the Company
Mr. Meng Guang Bao	Interest in controlled corporation(Note 1, 2 and 3)	89,290,151 (L)	145.09%
	Beneficial owner	868,520 (L)	1.41%
	Share Options(Note 3)	387,351 (L)	0.63%
Ms. Zhang Ye	Share options(Note 4)	274,050 (L)	0.45%
Ms. Huang Xiumei	Beneficial owner	3,240 (L)	0.01%
	Share options(Note 4)	274,050 (L)	0.45%
Ms. Bao Limin	Beneficial owner	12,960 (L)	0.02%
	Share options(Note 4)	274,050 (L)	0.45%
Mr. Zheng Bailin	Share options(Note 4)	38,735 (L)	0.06%
Mr. Shen Ruolei	Share options(Note 4)	38,735 (L)	0.06%
Mr. Pun Chi Ping	Share options(Note 4)	38,735 (L)	0.06%

The letter "L" denotes a long position in the Shares.

Notes:

1. Long positions in 76,166,408 Shares are held by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which in turn was 100% beneficially owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Huajun Group Limited by virtue of SFO. Amongst interests in 76,166,408 Shares, interests in 31,715,789 Shares arising from issue of unlisted convertible bond under specific mandate.

2. Long positions in 2,834,000 Shares are held by Chinese Meng Group Co., Limited (中國孟集團股份有限公司)(a company incorporated in Hong Kong) and ultimately owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Chinese Meng Group Co., Limited by virtue of SFO. Interests in the aforesaid 2,834,000 Shares arises from issue of convertible bond under specific mandate which has not been issued as the acquisition of Dalian Henglifeng Project has not completed.

3. Long positions in 7,794,217 Shares are held by the Vendor B and long positions in 2,495,526 Shares are held by the Vendor A. Both are the companies incorporated in the PRC and wholly owned by Jurong Zhongyou Photovoltaic Technology Co., Ltd* (句容中友光伏科技有限公司), which in turn is 100% owned by Huajun Real Estate Group Co., Ltd* (華君置業集團有限公司) directly and indirectly owned in majority by Huajun Holdings Group Limited* (華君控股集團有限公司) and ultimately owned by Mr. Meng and his spouse. Mr. Meng was deemed to be interested in all Shares held by the Vendor B and the Vendor A by virtue of SFO. Interests in the aforesaid 10,289,743 Shares arises from issue of unlisted convertible bond under specific mandate which has not been issued as the acquisition of solar Assets A and Assets B has not completed.

4. The share options (save as those granted to Mr. Meng) were granted to the respective Directors on 7 February 2017 and Mr. Meng was granted his share options on 16 March 2017. The exercise period of the share options commenced from their respective date of grant to 6 February 2027 with an exercise price of HK$78.00.

Interests in shares in associated corporations

Associated corporation	Director	Amount of registered capital/ number of shares held in the associated corporation	Capacity	Approximate percentage interest in the capital of the associated corporation
Huajun Group Limited	Mr. Meng	HK$3,000,000,000	Beneficial owner	100%

As at 31 December 2020, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares ("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 (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such under provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Interests and/or Short Positions Discloseable Under the SFO and the Substantial Shareholders

As at 31 December 2020, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at 31 December 2020
Madam Bao Le	90,546,022 (L)	Interest held by spouse *(Note (a), (b), (c))*	147.13%
Huajun Group Limited	76,166,408 (L)	Beneficial owner *(Note (a))*	123.76%
Huajun Holdings Group Limited*	10,289,743 (L)	Interest of Controlled Corporation *(Note (c))*	16.72%
Huajun Real Estate Group Co., Ltd*	10,289,743 (L)	Interest of Controlled Corporation *(Note (c))*	16.72%
Huajun Power (Jurong) Co., Ltd*	7,794,217 (L)	Beneficial owner *(Note (c))*	12.66%
Mr. Meng	89,290,151 (L)	Interest of controlled corporation *(Note (a), (b), (c))*	123.76%
	868,520 (L)	Beneficial owner	1.41%
	387,351 (L)	Share Options	0.63%
Ouke Group Holdings Limited	4,559,326 (L)	Beneficial owner	7.41%

Notes:

(a) 76,166,408 Shares are held by Huajun Group Limited as long position, which is directly wholly-owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by virtue of SFO. Interests in 31,715,789 Shares arising from issue of convertible bond under specific mandate. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.

(b) 2,834,000 Shares are held by the Chinese Meng Group Co., Limited (中國孟集團股份有限公司) that are arising from the proposed issue of convertible bond under specific mandate which has not been issued as the relevant acquisition have not been completed. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.

(c) 7,794,217 Shares are held by the Vendor B and 2,495,526 Shares are held by the Vendor A that are arising from the proposed issue of convertible bond under specific mandate which has not been issued as the relevant acquisition have not been completed. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.

The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register as required to be kept by the Company under section 336 of the SFO.

Directors' Interests in Transactions, Arrangements or Significant Contracts

Save as set out in note 49 to the consolidated financial statements and under the section "Connected Transactions" in this annual report, no transactions, arrangements or contract of significance to which the Company or subsidiaries or controlling shareholder of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director of the Company has or had a material interest, either directly or indirectly subsisted at the end of the Current Year or at any time during the Current Year.

Share Option Scheme

The Company adopted a share option scheme on 28 September 2007. The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-executive Directors including Independent Non-executive Directors or any employees (whether full-time or part-time) of each member of the Group (the "Participants") and for such other purpose as the Board may approve from time to time. Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 25 October 2017, the new share option scheme (the "Scheme") has been adopted and approved. The Scheme shall remain valid and effective until 24 October 2027.

The principal terms of the Scheme are summarised as follows:

(i) The total number of Shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the Scheme, unless approved by Shareholders and which must not in aggregate exceed 30% of the total number of the relevant class of securities of the Company in issue from time to time. The total number of Shares available for issue under the Scheme is 6,066,920 Shares.

(ii) The total number of shares issued and to be issued upon exercise of the share options (including both exercised and outstanding options) granted pursuant to the Scheme and any other share option schemes of the Company to each of the Participants in any 12-month period shall not exceed 1% of the total number of the relevant class of securities of the Company (or its subsidiaries) in issue.

(iii) The exercise price shall be solely determined by the Board, and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share option to the Participants, which must be a day (other than a Saturday or a Sunday) on which licenced banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (the "Business Day"); (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of offer of the share option to the Participants; and (c) the nominal value of the Shares.

(iv) A share option may be exercised at any time during a period determined by the Board at its absolute discretion and notified by the Board to each grantee the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Scheme.

(v) There is no minimum period for which a share option must be held before the share option can be exercised unless otherwise determined by the Board.

(vi) According to the Scheme, the offer of a grant of share options may be accepted within 28 days from the date of offer, HK$100 is payable by each of the Participants to the Company on acceptance of the share options as consideration for the grant. The share options to which the offer relates shall be deemed to have been granted on the date of offer of such share options.

As at 31 December 2020, the number of share options have been granted and remained outstanding under the Scheme was 1,873,806 (31 December 2019: 2,421,906) representing approximately 3.04% (31 December 2019: 3.94%) of the Company in issue at that date.

The movement of share options under the Scheme during the Current Year is presented as follows:

	At 1 January 2020	Granted	Exercised	Lapsed	At 31 December 2020
Movement during the year ended 31 December 2020	2,421,906	NIL	NIL	548,100	1,873,806

Arrangement for Directors to Acquire Shares or Debentures

Apart from the Scheme as disclosed above, at no time during the Current Year was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws, although there is no restriction against such rights under Bermuda Law.

Purchase, Sale or Redemption of the Company's Shares

During the Current Year, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares.

Permitted Indemnity Provision

The Bye-laws of the Company provide that each Director, Secretary and other officers of the Company and 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 the duties in their respective offices. The Company has taken out and maintained appropriate insurance, which is currently in force and was in force throughout the Current Year, to cover potential legal actions against its Directors and senior officers of the Company.

Equity-linked Agreements

Save as disclosed above under the sections "Connected Transactions" and "Share Option Scheme", the Company did not enter into any equity-linked agreements for the year ended 31 December 2020 and no equity-linked agreements subsisted as at 31 December 2020.

Use of Proceeds in Fund Raising Activities

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceed	Actual use of proceeds
22 January 2020	Issue of convertible bonds under specific mandate	Approximately HK$999,500,000	Repayment of borrowings – HK$537,600,000 Capital expenditure for high-end printing and packaging production base – HK$168,000,000 General working capital – HK$293,900,000	Not applicable as the subscription has lapsed on 1 July 2020 (please refer to the announcement dated 2 July 2020)

Retirement Schemes

Particulars of retirement schemes of the Group are set out in note 40 to the consolidated financial statements.

Staff

As at 31 December 2020, the Group had a total staff of 3,059 (31 December 2019: 3,541).

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

Material Acquisitions and Disposals of Subsidiaries

During the Current Year, the Group has carried out the following material acquisition and disposal of subsidiaries:

Huaren Real Estate

On 30 March 2020, Huajun Properties Group Limited*（華君地產集團有限公司）(formerly known as Baohua Properties (China) Limited*（保華地產（中國）有限公司）), an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of 100% equity interest in and the loan owed to the vendor by Huaren Real Estate (Huai'an) Co., Ltd*（華仁置業（淮安）有限公司）(“**Huaren Real Estate**”) at the aggregate consideration of RMB252,110,000. The disposal was completed on 30 June 2020 and Huaren Real Estate ceased to be a subsidiary of the Company and the financial results of Huaren Real Estate are no longer consolidated into the Groups financial statements.

Dalian Henglifeng Project

On 5 June 2020, Huajun Department Store (Dalian) Co., Ltd.*（華君百貨（大連）有限公司）, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with a connected person of the Company, as vendor, to acquire the entire equity interest in and the debt owed to the vendor by Henglifeng Mall (Dalian) Co., Ltd.*（恒利豐商城（大連）有限公司）at the aggregate consideration of RMB98,800,000, which shall be satisfied by issue of the Company's convertible bonds. The acquisition has not yet completed as at the date of this report.

Huajun Intelligent Energy

On 29 July 2020, Huajun Power Group Co., Ltd.*（華君電力集團有限公司）, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sales and purchase agreement with an independent third party, as purchaser, to dispose of 100% equity interest in and the debt owned to the vendor by Huajun Intelligent Energy Company Limited *（華君智慧能源有限公司）(“**Huajun Intelligent Energy**”) at the aggregate consideration of RMB120,000,000. The disposal has completed on 3 August 2020 and Huajun Intelligent Energy ceased to be a subsidiary of the Company and its financial results are no longer consolidated into the Group financial statements.

Wuxi Huiyuan

On 31 July 2020, Baohua Real Estate Management (Yingkou) Co., Ltd.*（保華置業管理（營口）有限公司）, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sales and purchase agreement with an independent third party, as purchaser, to dispose of 100% equity interest and the paid-up capital of Wuxi Huiyuan Real Estate Co., Ltd.*（無錫市惠遠置業有限公司）at the consideration of RMB127,000,000. The disposal has completed on 11 August 2020 and Wuxi Huiyuan ceased to be a subsidiary of the Company and its financial results are no longer consolidated into the Group's financial statement.

Save for those disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries during the Current Year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued share capital as required under the Listing Rules.

Independent Auditor

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by SHINEWING (HK) CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Meng Guang Bao
Chairman and Executive Director

Hong Kong, 31 March 2021

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA HUAJUN GROUP LIMITED
中國華君集團有限公司
(FORMERLY KNOWN AS HUAJUN INTERNATIONAL GROUP LIMITED 華君國際集團有限公司)
(incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Huajun Group Limited (formerly known as Huajun International Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 211, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group reported net loss of approximately RMB1,629,844,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group had net current liabilities of approximately RMB4,720,691,000, which included principals and interest payables of the Group's certain borrowings that are in default and therefore the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2020. Details of which are set out in notes 2 and 31. As at the same date, the Group's cash and cash equivalents amounted to approximately RMB219,083,000 only. These conditions, together with other matters as described in notes 2 and 31 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate the defaulted and delayed payments which are set out in notes 2 and 31 to the consolidated financial statements, including partial repayment of defaulted principals and extension of defaulted loans. In addition, the Group has been in active negotiation with the banks and other financial institutions for the renewal or extension of the repayment terms of the outstanding principals and accrued interests.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) continuous financial support from the immediate holding company; (ii) the successful remedial action taken in respect of defaulted borrowings; and (iii) cash inflow from operations. Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

Responsibilities of Directors of the Company 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6		
Goods and services		**3,497,209**	3,675,741
Finance lease income		**616**	127
Interest income from provision of finance		**1,537**	2,064
Rental income from property investments		**14,069**	9,615
Dividend from securities investments		**1,780**	5,374
Others		**240**	6,685
Total revenue		**3,515,451**	3,699,606
Cost of sales and services		**(3,474,518)**	(3,395,404)
Gross profit		**40,933**	304,202
Other gains and losses	8	**665**	8,049
Other income	9	**65,013**	16,577
Change in fair value of investment properties	17	**(175,975)**	237,945
Selling and distribution expenses		**(134,167)**	(151,999)
Administrative expenses		**(354,109)**	(380,157)
Impairment of goodwill	18	**(8,087)**	–
Impairment loss recognised in respect of			
– trade receivables	43	**(13,898)**	(27,042)
– other receivables	43	**(74,858)**	(11,712)
– loan and interest receivables	43	**(11,525)**	–
– property, plant and equipment	16	**(114,366)**	–
Finance costs	10	**(898,708)**	(572,252)
Share of profit from an associate		**518**	813
Share of loss from a joint venture		**–**	(216)
Gain on disposal of subsidiaries	44	**22,393**	11
Change in fair value of convertible bonds			
– derivative component	34	**4,697**	12,498
Loss before tax		**(1,651,474)**	(563,283)
Income tax credit (expense)	11	**21,630**	(70,472)
Loss for the year	13	**(1,629,844)**	(633,755)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(78,827)**	(8,694)
Change in fair value of debt instruments at fair value through other comprehensive income ("FVTOCI")		**(76)**	939
Reclassification adjustment relating to (gain) loss on disposal of debt instruments at FVTOCI included in profit or loss		**(1,142)**	1,814
		(80,045)	(5,941)
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**98,207**	12,850
Other comprehensive income for the year		**18,162**	6,909
Total comprehensive expense for the year		**(1,611,682)**	(626,846)
(Loss) profit for the year attributable to:			
– Shareholders of the Company		**(1,573,818)**	(644,710)
– Non-controlling interests		**(56,026)**	10,955
		(1,629,844)	(633,755)
Total comprehensive (expense) income attributable to:			
– Shareholders of the Company		**(1,555,812)**	(637,811)
– Non-controlling interests		**(55,870)**	10,965
		(1,611,682)	(626,846)
		RMB	RMB
Loss per share	15		
Basic		**(25.57)**	(10.59)
Diluted		**(25.57)**	(10.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,028,418**	2,027,984
Investment properties	17	**5,159,166**	4,863,150
Goodwill	18	**–**	8,087
Interest in an associate	19	**29,731**	29,213
Interest in a joint venture	20	**–**	–
Deposits for property, plant and equipment, right-of-use assets and properties held for investment and development	21	**62,680**	649,887
Financial assets at fair value through profit or loss ("FVTPL")	22	**28,998**	35,815
Other receivables and deposits	26	**101,914**	83,892
Debt instruments at FVTOCI	22	**3,282**	26,762
Deferred tax assets	37	**15,730**	17,221
Right-of-use assets	25	**524,993**	620,685
		7,954,912	8,362,696
CURRENT ASSETS			
Properties held for sale	23	**7,109,134**	7,440,044
Inventories	24	**230,892**	233,948
Trade and other receivables, deposits and prepayments	26	**1,291,324**	935,351
Loan and interest receivables	27	**–**	15,004
Tax recoverable		**23,689**	1,354
Financial assets at FVTPL	22	**10,535**	13,888
Restricted bank balances	28	**46,878**	69,109
Pledged bank deposits	28	**46,946**	313,265
Bank balances and cash	28	**219,083**	270,836
		8,978,481	9,292,799
Assets classified as held for sale	12	**59,139**	–
		9,037,620	9,292,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CURRENT LIABILITIES			
Trade and other payables, and other liabilities	29	**2,374,295**	1,148,011
Bill payables	30	**428,073**	729,969
Tax payable		**119,986**	105,816
Borrowings	31	**9,084,328**	4,266,637
Contract liabilities	32	**1,490,704**	1,513,556
Corporate bonds	33	**1,699**	3,612
Convertible bonds – liability component	34	**193,935**	–
Convertible bonds – derivative component	34	**33**	–
Deferred consideration	35	**51,020**	–
Lease liabilities	25	**14,238**	30,570
		13,758,311	7,798,171
NET CURRENT (LIABILITIES) ASSETS		**(4,720,691)**	1,494,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,234,221**	9,857,324
NON-CURRENT LIABILITIES			
Deferred consideration	35	**–**	95,000
Deferred income	36	**155,664**	103,491
Deferred tax liabilities	37	**98,362**	141,415
Amount due to immediate holding company	38	**35,089**	16,655
Borrowings	31	**1,125,620**	5,905,780
Corporate bonds	33	**83,113**	76,921
Convertible bonds – liability component	34	**612,229**	776,973
Convertible bonds – derivative component	34	**–**	4,942
Lease liabilities	25	**8,017**	14,923
		2,118,094	7,136,100
NET ASSETS		**1,116,127**	2,721,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES			
Share capital	39	**55,983**	55,983
Reserves		**1,048,221**	2,597,448
Equity attributable to shareholders of the Company		**1,104,204**	2,653,431
Non-controlling interests		**11,923**	67,793
TOTAL EQUITY		**1,116,127**	2,721,224

The consolidated financial statements on pages 57 to 211 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Mr. Meng Guang Bao	**Ms. Zhang Ye**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible bonds – equity conversion reserve RMB'000	Deemed contribution reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve (Note) RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2020	55,983	2,557,466	35,234	30,415	37,863	541,618	891,176	1,433	5,033	(1,502,790)	2,653,431	67,793	2,721,224
Loss for the year	–	–	–	–	–	–	–	–	–	(1,573,818)	(1,573,818)	(56,026)	(1,629,844)
Other comprehensive expense for the year	–	–	–	19,224	–	–	–	(1,218)	–	–	18,006	156	18,162
Total comprehensive income (expense) for the year	–	–	–	19,224	–	–	–	(1,218)	–	(1,573,818)	(1,555,812)	(55,870)	(1,611,682)
Lapse of share options (note 42)	–	–	–	–	(7,678)	–	–	–	–	7,678	–	–	–
Disposal of subsidiaries	–	–	(3,632)	–	–	–	–	–	–	3,632	–	–	–
Deemed contribution from the controlling company (note 38)	–	–	–	–	–	–	6,585	–	–	–	6,585	–	6,585
Balance at 31 December 2020	55,983	2,557,466	31,602	49,639	30,185	541,618	897,761	215	5,033	(3,065,298)	1,104,204	11,923	1,116,127

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2020

			Attributable to shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible bonds – equity conversion reserve RMB'000	Deemed contribution reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve (Note) RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019	55,203	2,551,848	35,234	26,269	42,603	–	712,896	(1,320)	5,033	(859,555)	2,568,211	62,509	2,630,720
Loss for the year	–	–	–	–	–	–	–	–	–	(644,710)	(644,710)	10,955	(633,755)
Other comprehensive expense for the year	–	–	–	4,146	–	–	–	2,753	–	–	6,899	10	6,909
Total comprehensive income (expense) for the year	–	–	–	4,146	–	–	–	2,753	–	(644,710)	(637,811)	10,965	(626,846)
Lapsed of share options (note 42)	–	–	–	–	(4,740)	–	–	–	–	4,740	–	–	–
Deemed contribution relating to disposal of subsidiaries (note 44(b))	–	–	–	–	–	–	2,321	–	–	–	2,321	–	2,321
Issue of convertible bonds (note 34)	–	–	–	–	–	541,618	–	–	–	–	541,618	–	541,618
Acquisition of a wholly owned subsidiary (note 44(a))	780	5,618	–	–	–	–	19,913	–	–	–	26,311	–	26,311
Deemed contribution from the controlling company (note 38)	–	–	–	–	–	–	3,377	–	–	–	3,377	–	3,377
Deemed contribution from reversal of financial guarantee contracts	–	–	–	–	–	–	231,404	–	–	–	231,404	–	231,404
Reversal of deemed contribution from the controlling company (note 38)	–	–	–	–	–	–	(78,735)	–	–	–	(78,735)	–	(78,735)
Deemed acquisition of additional interests from non-controlling interests (note 45)	–	–	–	–	–	–	–	–	–	(3,265)	(3,265)	(5,681)	(8,946)
Balance at 31 December 2019	55,983	2,557,466	35,234	30,415	37,863	541,618	891,176	1,433	5,033	(1,502,790)	2,653,431	67,793	2,721,224

Note:

Other reserves were set up by the Company's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,651,474)**	(563,283)
Adjustments for:			
Change in fair value of convertible bonds			
– derivative component		**(4,697)**	(12,498)
Change in fair value of investment properties		**175,975**	(237,945)
Change in fair value of financial assets at FVTPL		**(936)**	(8,619)
(Gain) loss on disposal of debt instruments at FVTOCI		**(1,142)**	1,814
Depreciation and amortisation of non-current assets		**150,462**	131,633
Dividend income from securities investments		**(1,780)**	(5,374)
Finance costs		**898,708**	572,252
Provision for litigation		**31,574**	–
Gain on disposal of subsidiaries		**(22,393)**	(11)
Impairment loss on			
– trade receivables		**13,898**	27,042
– other receivables		**74,858**	11,712
– loan and interest receivables		**11,525**	–
– property, plant and equipment		**114,366**	–
Written off of other receivable		**–**	8,394
Impairment of goodwill		**8,087**	–
Write-down of properties held for sale		**117,345**	–
Write-down of inventories		**–**	9,004
Interest income on bank deposits and pledged bank deposits		**(8,892)**	(5,647)
Interest income on finance lease receivables		**(616)**	(127)
Interest income on loan receivables		**(1,537)**	(2,064)
(Gain) loss on disposal of property, plant and equipment		**(308)**	1,753
Gain on disposal of a right-of-use asset		**–**	(127)
Net foreign exchange loss		**1,721**	2,794
Share of profits from an associate		**(518)**	(813)
Share of loss from joint venture		**–**	216
Gain on bargain purchase		**–**	(5,791)
		(95,774)	(75,685)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Operating cash flows before movements in working capital		**(95,774)**	(75,685)
Decrease in properties held for sale		**19,278**	66,178
Decrease in inventories		**3,040**	43,806
(Increase) decrease in trade and other receivables		**(90,562)**	280,014
Decrease (increase) in loan and interest receivables		**4,375**	(2,817)
(Increase) decrease in financial assets at FVTPL		**(3,018)**	10,063
Increase (decrease) in trade and other payables		**129,085**	(488,355)
Decrease in bill payables		**(301,896)**	(154,295)
Increase in contract liabilities		**10,156**	449,642
Decrease (increase) in restricted bank balance		**22,231**	(69,109)
Cash (used in) from operations		**(303,085)**	59,442
Income tax paid		**(28,678)**	(18,633)
Interest received on loan receivables		**–**	2,064
Interest received on finance lease receivables		**616**	127
Dividend received from securities investments		**1,780**	5,374
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(329,367)**	48,374
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(279,252)**	(381,581)
Proceeds from disposal of plant and equipment		**4,818**	3,061
Payment for purchase of investment properties		**(100,259)**	(416,051)
Proceeds from disposal of financial assets at FVTPL		**30,898**	169,484
Purchase of financial assets at FVTPL		**(16,774)**	–
Proceeds from disposal of debts instruments at FVTOCI		**23,404**	23,208
Payment for right-of-use assets		**(15,935)**	(44,400)
Proceeds from disposal of a right of use asset		**51,905**	2,203
Interest received on bank deposits		**8,892**	5,647
Release of pledged bank deposits		**313,265**	359,844
Placement of pledged bank deposits		**(46,946)**	(382,374)
Deposits paid for purchases of property, plant and equipment, right-of-use assets and properties held for investment and development		**(16,522)**	(626,994)
Net cash inflow (outflow) for acquisition of subsidiaries	44	**2,075**	(9,626)
Net cash inflow (outflow) from disposal of subsidiaries	44	**293,530**	(19)
Proceeds from disposal of investment properties		**3,047**	119,350
Repayment from a former associate		**2,000**	14,400
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**258,146**	(1,163,848)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES			
Proceeds from borrowings		**2,503,512**	7,812,648
Repayment of borrowings		**(2,465,981)**	(2,094,425)
Repayment of lease liabilities		**(34,570)**	(32,708)
Interest paid		**(60,762)**	(441,196)
Government subsidy received		**52,173**	–
Redemption of corporate bonds		**(3,419)**	(216,830)
Proceeds from issue of convertible bonds		**–**	877,192
Proceeds from issue of corporate bonds		**8,547**	–
Payment of transaction costs for issue of convertible bonds		**–**	(536)
Redemption of convertible bonds		**–**	(26,814)
Acquisition of additional interest from a non-controlling shareholder		**–**	(8,946)
Deposit paid for acquisition of additional interest of a subsidiary from a non-controlling shareholder		**–**	(46,000)
Advance from immediate holding company		**1,016,964**	3,559,347
Repayment to immediate holding company		**(994,291)**	(8,701,454)
NET CASH FROM FINANCING ACTIVITIES		**22,173**	680,278
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(49,048)**	(435,196)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**270,836**	701,946
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(2,705)**	4,086
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**219,083**	270,836

1. GENERAL

China Huajun Group Limited (formerly known as Huajun International Group Limited) (the "Company") is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong. Pursuant to an internal restructuring completed on 2 September 2020, China Huajun Group Limited ("CHG", incorporated in the British Virgin Islands) transferred all its shares in the Company to Huajun Group Limited ("HGL"), a company incorporated in Hong Kong. CHG no longer holds any shares in the Company. As at 31 December 2020, the directors of the Company (the "Directors") consider that immediate holding company and ultimate holding company of the Company to be HGL. Its ultimate controlling party is Mr. Meng Guang Bao ("Mr. Meng"), who is the chairman of the Board of Directors and an executive director of the Company.

Pursuant to a special resolution passed by the shareholders of the Company on 28 August 2020, the issue of the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 24 September 2020 certifying that the change of name has been registered on 28 August 2020 and a Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 9 October 2020 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the name of the Company was changed from "Huajun International Group Limited" to "China Huajun Group Limited" and the dual foreign name in Chinese of the Company from "華君國際集團有限公司" to "中國華君集團有限公司".

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 51. The Company and its subsidiaries are collectively referred to as the "Group".

The functional currency of the Company is Hong Kong dollars ("HK$") while the consolidated financial statements of the Group are presented in Renminbi ("RMB") to enable the shareholders of the Company to have a more accurate picture of the Group's financial position and performance.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as of 31 December 2020 the Group has capital and other commitments of RMB1,991,721,000 as disclosed in note 47 to the consolidated financial statements and incurred a net loss of RMB1,629,844,000 for the year ended 31 December 2020.

The Directors consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(i) Continuous financial support from the immediate holding company

The immediate holding company has agreed to continue to provide financial support to the Group when in need. As at 31 December 2020, approximately RMB39,636,000 of advances has been drawn which the immediate holding company agreed not to demand for the repayment until 1 May 2022.

(ii) Negotiation with banks on defaulted borrowings

As disclosed in note 31 to the consolidated financial statements, the Group had breached the repayment terms of several tranches of borrowings and the Directors are in the process of negotiation with the counterparties over the revised repayment schedule and refinancing arrangements.

In addition, subsequent to the end of the reporting period, the Group has obtained a letter of intent for new banking facilities of approximately RMB2,658.8 million issued by Yingkou Coastal Bank.

(iii) Cash inflow from operations

The Group is expected to generate adequate cash flows to maintain its operations.

The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2021. However, should the above financing be unavailable (in particular the continuous financial support from the immediate holding company, banking facilities from the banks and other financial institutions as well as the renewal and refinancing of existing borrowings. if the Group is not able to generate the expected cash inflows from its operations and to refinance its borrowings, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2020:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no significant impact on the consolidated financial statements in the current year.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018-2020 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that, except as described below, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

New and amendments to HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in change in the classification of the Group's liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

New and amendments to HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 *Inventories*.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") *(Continued)*

New and amendments to HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendment to HKFRS 16, COVID-19 Related Rent Concessions

The amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The amendment is effective for annual periods beginning on or after 1 June 2020. The Directors anticipate that the application of the amendment will have no material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or asset acquisitions

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase, or recognised as a contribution from shareholder and included in deemed contribution reserve in equity if it is transacted with the shareholder of the Company.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets on a pro rata based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial information of associates or joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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.

The Group recognises revenue from the following major sources:

- Assembling and sales of solar photovoltaic products;
- Provision of processing services for solar photovoltaic products;
- Manufacturing and sales of printing products;
- Sales of petrochemical and other related products;
- Manufacturing and sales of hydraulic machinery;
- Department store business;
- Hotel business;
- Sales of properties;
- Securities brokerage;
- Provision of property management services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Contract assets and contract liabilities *(Continued)*

Assembling and sales of solar photovoltaic products, and sales of petrochemical products

The Group assemblies and sells solar photovoltaic products, and trades petrochemical products mainly to customers in the PRC.

Revenue from sales of solar photovoltaic products is recognised when control of the goods has transferred, being the time when the goods have been shipped/delivered to the customer's specific location ("Delivery").

Revenue from sales of petrochemical products is recognised when control of the goods has transferred, being the time when the customer draws out the petrochemical products from the Group's warehouse or storage location ("Draw Out").

Following Delivery or Draw Out, the customer has full discretion over the manner of distribution and price to sell the goods and has the full responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon Delivery or Draw Out.

For the trading of petrochemical products business, the Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum. When the Group receives a deposit before the petrochemical products are delivered to the customer, this will give rise to contract liabilities at the start of a contract and set off with the total contract sum upon the sales transaction is completed.

Manufacturing and sales of printing products

The Group manufactures and sells printing products to customers in the PRC, US, Hong Kong and other overseas countries.

For contracts entered into with customers on sales of printing products, the relevant printing products specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant printing products to customers.

Revenue from sales of printing products is therefore recognised at a point in time when the completed printing products is shipped/delivered to customers, being at the point that the customer obtains the control of the printing products and the Group has present right to payment and collection of the consideration is probable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Manufacturing and sales of printing products *(Continued)*

The normal credit term is 30 to 90 days in accordance with the invoice date.

The Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum. When the Group receives a deposit before the manufacturing process commences, this will give rise to contract liabilities at the start of a contract and set off with the total contract sum upon the sales transaction is completed.

Provision of processing services for solar photovoltaic products

These contracts entered into with customers for assembling solar photovoltaic products, raw materials are provided directly by the customers to carry out assembling services by Group (i.e. processing services) for completion of the productions. The relevant photovoltaic products specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to the completion of assembling services and delivered to customers. The normal credit term is 30 days in accordance with the invoice date.

Revenue from the provision of processing services for solar photovoltaic products is therefore recognised at a point in time when the completed solar photovoltaic products is delivered to customers, being at the point that the customer obtains the control of the solar photovoltaic products and the Group has present right to payment and collection of the consideration is probable.

Manufacturing and sales of hydraulic machinery

The Group manufactures and sells hydraulic machinery to customers in the PRC.

Revenue from sales of hydraulic machinery is recognised at a point in time when the completed hydraulic machinery is shipped/delivered to customers, being at the point that the customer obtains the control of the hydraulic machinery and the Group has present right to payment and collection of the consideration is probable.

The normal credit term is 90 days in accordance with the invoice date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Hotel business

Revenue from hotel operations is recognised when the accommodation and related services are provided and is usually settled in cash, by credit cards or other means of electronic payment.

Department store business

Revenue from sale of goods is recognised at point of sale when the customer takes possession of and accepts the product and is usually settled in cash, by credit cards or other means of electronic payment.

Property management services

Revenue from provision of property management service is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term. Customers usually prepay the property management fee at the beginning of each month.

Brokerage – commission income and handling charges

Commission income is recognised at a point in time when the trading transaction is executed, with reference to the trading transaction volume and the commission rate applicable.

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is delivered to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales of properties *(Continued)*

The Group receives 30% to 50% of the contract value from customers when they sign the sales and purchase agreement. For the customers who use mortgage loans provided by the banks, the remaining portion of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. The payment is generally made by the bank before the delivery of property to the buyer. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period while construction work of properties is still ongoing.

Where the Group considers the advance payment schemes contain significant financing component, the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently charged to profit or loss that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leasing

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date, or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities *(Continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Except for the right-of-use assets classified as investment properties and measured under fair value model, right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets *(Continued)*

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Lease modification

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

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

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor *(Continued)*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Construction cost incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property held by the Group as a right-of-use asset is measured initially at cost in accordance with HKFRS 16. Subsequent to initial recognition, it is measured at fair value, which is the right-of-use asset, but not the underlying property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress (as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Construction-in-progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of property, plant and equipment, other than construction-in-progress less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If a property held for sale becomes an item of property, plant and equipment when there is a change in use, the carrying amount of the property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets and right-of-use assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets and right-of-use assets are estimated individually, or when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Costs comprise the acquisition costs, the related land cost, development expenditure incurred and where appropriate, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties and allocated to each unit in each phase based on sellable floor area, using weighted average method. Net realisable value represents the estimated selling price for properties held for sale less all estimated costs of completion and the costs necessary to make the sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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 recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange difference arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into HK$; and (ii) the assets and liabilities of the Group denominated or translated in HK$ are then translated into the presentation currency of the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of joint arrangements or associates that do not result in the Group losing joint control or significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) *(Continued)*

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "revenue" and "other income" line items (notes 6 and 9).

Financial assets at FVTOCI (debt instruments)

(i) Amortised cost and effective interest method

The Group classifies and measures subsequently its debt instruments at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's debt instruments classified as at FVTOCI includes investments in listed and unlisted bond investments. Fair value is determined in the manner described in note 22. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 22.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'low risk'. Low risk means that the counterparty has a low risk of default and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is 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 that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information regarding specific exposures that is reasonable, supportable and available without undue cost or effort. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Measurement and recognition of expected credit losses

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Measurement and recognition of expected credit losses (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds

Convertible bonds that contain both the liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds – equity conversion reserve). The value of any derivative features embedded in the convertible bonds other than the equity component is included in the liability component.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds – equity conversion reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings (accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds *(Continued)*

Convertible bonds that contain both the liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives is measured at fair value with changes in fair value recognised in profit or loss. In subsequent periods, the conversion option derivative together with other embedded derivatives is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits (accumulated losses).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Equity instruments issued to purchase goods or services

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

Payments to the stated-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of properties held for sale and inventories, and value in use of property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Please refer to note 2 in relation to the going concern assumptions adopted by the Directors.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(b) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred taxation in relation to the Group's investment properties have been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Key sources of estimation uncertainty

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

(a) Fair values of investment properties

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties. The carrying amount of investment properties as at 31 December 2020 was RMB5,159,166,000 (31 December 2019: RMB4,863,150,000) as set out in note 17.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the actual or estimated selling price less estimated costs to complete the development based on existing asset structure and material price lists and the estimated costs necessary to make the sales). An allowance is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties held for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result if the net realisable value is less than the carrying amount.

The carrying amount of properties held for sale as at 31 December 2020 was RMB7,109,134,000 (31 December 2019: RMB7,440,044,000) as set out in note 23. Write-down of properties held for sale of approximately RMB117,345,000 (31 December 2019: nil) was recognised for the year ended 31 December 2020.

(c) Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventories and judgements on the conditions of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 December 2020, the carrying amount of inventories of the Group was approximately RMB230,892,000 (31 December 2019: approximately RMB233,948,000), net of accumulated allowance for inventories of approximately RMB9,239,000 (31 December 2019: approximately RMB9,517,000). Write-down of inventories of approximately RMB9,004,000 (31 December 2020: nil) was recognised for the year ended 31 December 2019.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

(Continued)

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of trade and other receivables

Except for debtors with significant outstanding balances or credit-impaired which individually assessed for ECL, the Group uses provision matrix to calculate ECL for trade receivables. The Group uses debtors' ageing to assess the impairment for its customers which grouped by different segment in relation to its operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision rates that applied are based on historical default rates from respective segments taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Different default rates are applied to the customers in different businesses. In addition, receivables with significant balances and credit impaired are assessed for ECL individually.

For other receivables, the Group determines the ECL on an individual basis for each debtor. The Group estimated the ECL based on historical credit loss experience and forward-looking information and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in notes 43 and 26, respectively.

The carrying amount of trade receivables was approximately HK$248,140,000 (2019: HK$242,699,000), net of loss allowance of approximately HK$63,487,000 (2019: HK$49,589,000).

The carrying amount of deposits and other receivables was approximately HK$998,040,000 (2019: HK$479,032,000), net of loss allowance of approximately HK$93,798,000 (2019: HK$21,462,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on historical experience. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(f) Impairment assessment of property, plant and equipment and right-of-use assets

The Group determines whether the property, plant and equipment and right-of-use assets are impaired whenever there is indication of impairment presented. The impairment loss for property, plant and equipment and right-of-use assets are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates such as future revenue and discount rates.

As at 31 December 2020, the carrying values of property, plant and equipment were RMB2,028,418,000 (31 December 2019: RMB2,027,984,000). An impairment loss of approximately RMB114,366,000 (2019: nil) has been recognised during the year ended 31 December 2020.

As at 31 December 2020, the carrying values of right-of-use assets were RMB524,993,000 (31 December 2019: RMB620,685,000), net of accumulated impairment loss of nil (2019: nil).

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2020						
	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Other RMB'000	Total RMB'000
Type of goods and services							
Sales of:							
– solar photovoltaic products	–	–	–	108,543	–	–	108,543
– printing products	440,527	–	–	–	–	–	440,527
– petrochemical and other related products	–	2,050,713	–	–	–	–	2,050,713
– properties	–	–	776,216	–	–	–	776,216
– hydraulic machinery	–	–	–	–	–	69,632	69,632
Processing services							
– solar photovoltaic products	–	–	–	894	–	–	894
Property management services	–	–	12,166	–	–	–	12,166
Others	–	–	–	–	997	37,521	38,518
Total revenue from contracts with customers	440,527	2,050,713	788,382	109,437	997	107,153	3,497,209
Finance lease income	–	–	–	–	616	–	616
Interest income from provision of finance	–	–	–	–	1,537	–	1,537
Rental income from property investments	–	–	14,069	–	–	–	14,069
Dividend from securities investments	–	–	–	–	1,780	–	1,780
Others	–	–	240	–	–	–	240
Total revenue	440,527	2,050,713	802,691	109,437	4,930	107,153	3,515,451
Geographical markets							
The PRC	173,629	2,040,224	788,382	109,437	–	107,153	3,218,825
The United States of America ("US")	136,939	–	–	–	–	–	136,939
Hong Kong	35,414	–	–	–	997	–	36,411
European countries	38,084	6,734	–	–	–	–	44,818
Other countries	56,461	3,755	–	–	–	–	60,216
Total	440,527	2,050,713	788,382	109,437	997	107,153	3,497,209

6. REVENUE *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	For the year ended 31 December 2019						
	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Other RMB'000	Total RMB'000
Type of goods and services							
Sales of:							
– solar photovoltaic products	–	–	–	92,243	–	–	92,243
– printing products	670,189	–	–	–	–	–	670,189
– petrochemical and other related products	–	2,203,718	–	–	–	–	2,203,718
– properties	–	–	655,966	–	–	–	655,966
– hydraulic machinery	–	–	–	–	–	20,933	20,933
Processing services							
– solar photovoltaic products	–	–	–	420	–	–	420
Property management services	–	–	4,758	–	–	–	4,758
Others	–	–	–	–	–	27,514	27,514
Total revenue from contracts with customers	670,189	2,203,718	660,724	92,663	–	48,447	3,675,741
Finance lease income	–	–	–	–	127	–	127
Interest income from provision of finance	–	–	–	–	2,064	–	2,064
Rental income from property investments	–	–	9,615	–	–	–	9,615
Dividend from securities investments	–	–	–	–	5,374	–	5,374
Others	–	–	6,685	–	–	–	6,685
Total revenue	670,189	2,203,718	677,024	92,663	7,565	48,447	3,699,606
Geographical markets							
The PRC	196,613	2,198,836	660,724	92,663	–	48,447	3,197,283
The United States of America ("US")	277,831	–	–	–	–	–	277,831
Hong Kong	50,054	515	–	–	–	–	50,569
European countries	79,498	224	–	–	–	–	79,722
Other countries	66,193	4,143	–	–	–	–	70,336
Total	670,189	2,203,718	660,724	92,663	–	48,447	3,675,741

Revenue from property management services is recognised over time, and the progress measured using the output method. The property management service fees are billed to the tenants monthly. All other revenue of the Group from contracts with customers are recognised at a point in time.

6. REVENUE *(Continued)*

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations for sales of properties (unsatisfied or partially unsatisfied) as at 31 December and the expected timing of recognising revenue are as follows:

	Sales of properties	
	2020	2019
	RMB'000	RMB'000
Within one year	**1,465,885**	1,312,897
More than one year but not more than two years	**–**	130,098
	1,465,885	1,442,995

Except for the above, all of the Group's other remaining performance obligations for contracts with customers are for original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OPERATING SEGMENTS

The Group manages its businesses by divisions, which are organised by different business lines. Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment is prepared on this basis. The Group has identified the following five reportable segments under HKFRS 8 *Operating Segments* as follows:

- Printing: Sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products

- Trading and logistics: Trading, logistics and supply chain management

- Property development and investments: Property development and investments, property management services

- Solar photovoltaic: Sales and manufacturing of and provision of processing services on solar photovoltaic products

- Financial services: Comprised of provision of finance through money lending services; provision of finance through finance lease; provision of securities brokerage services and investment activities in equity securities, funds, bonds and asset management services and other related services

7. OPERATING SEGMENTS *(Continued)*

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include provision of hotel services, department store business and sales and manufacturing of hydraulic machinery in the PRC for the year ended 31 December 2020. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as “All other segments”.

Segment revenue and results

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

For the year ended 31 December 2020

	Printing RMB’000	Trading and logistics RMB’000	Property development and investments RMB’000	Solar photovoltaic RMB’000	Financial services RMB’000	Reportable segments’ total RMB’000	All other segments RMB’000	Total RMB’000
Segment revenue								
Revenue from external customers	440,527	2,050,713	802,691	109,437	4,930	3,408,298	107,153	3,515,451
Segment (loss) profit	(65,433)	6,730	(467,140)	(167,169)	(11,553)	(704,565)	(47,965)	(752,530)
Unallocated amounts								
Change in fair value of convertible bonds – derivative component								4,697
Corporate administrative expense								(56,313)
Corporate other income								28,948
Finance costs								(898,708)
Gain on disposal of subsidiaries								22,393
Other gains and losses								(479)
Share of profit from an associate								518
Group’s loss before tax								(1,651,474)

7. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2019

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Reportable segments' total RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue								
Revenue from external customers	670,189	2,203,718	677,024	92,663	7,565	3,651,159	48,447	3,699,606
Segment profit (loss)	6,492	(32,370)	154,309	(44,006)	1,701	86,126	(25,263)	60,863
Unallocated amounts								
Change in fair value of convertible bonds – derivative component								12,498
Corporate administrative expense								(65,785)
Corporate other income								133
Finance costs								(572,252)
Gain on disposal of subsidiaries								11
Other gains and losses								652
Share of profit from an associate								813
Share of loss from a joint venture								(216)
Group's loss before tax								(563,283)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4.

Segment results represent the profit or loss of each operating segment without allocation of gains or losses arising from change in fair value of convertible bonds – derivative component, corporate administrative expenses, corporate other income, finance costs, gain on disposal of subsidiaries, unallocated other gains and losses, share of profits from an associate and share of loss from a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. OPERATING SEGMENTS *(Continued)*

Other segment information

For the year ended 31 December 2020

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Reportable segments' total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation of property, plant and equipment for the year	33,218	7,337	19,751	26,359	286	86,951	14,483	1,296	102,730
Depreciation of right of use assets for the year	10,037	11,611	1,226	1,560	22	24,456	6,355	16,921	47,732
Additions to non-current assets during the year	109,590	2,029	195,171	222,533	10	529,333	392,470	309	922,112
Additions to non-current assets through acquisition of subsidiaries during the year	–	–	12	–	–	12	–	–	12
Impairment of goodwill	–	–	–	–	8,087	8,087	–	–	8,087
Impairment loss recognised in respect of									
– trade receivables	1,598	–	–	12,300	–	13,898	–	–	13,898
– other receivables	–	–	73,807	–	1,051	74,858	–	–	74,858
– loan and interest receivables	–	–	–	–	11,525	11,525	–	–	11,525
– property, plant and equipment	20,269	–	–	87,472	–	107,741	6,625	–	114,366
Loss (gain) on disposal of property, plant and equipment	172	–	(336)	(268)	21	(411)	243	(140)	(308)
Fair value loss of investment properties	–	–	175,975	–	–	175,975	–	–	175,975
Fair value gain of financial assets at FVTPL	–	(231)	–	–	(705)	(936)	–	–	(936)
Gain on disposal of debt instruments at FVTOCI	–	–	–	–	(1,142)	(1,142)	–	–	(1,142)
Interest income on bank deposits and pledged bank deposits	(233)	(924)	(216)	–	(2,717)	(4,090)	(4,451)	(351)	(8,892)
Interest income from finance lease receivables	–	–	–	–	(616)	(616)	–	–	(616)
Interest income from loan receivables	–	–	–	–	(1,537)	(1,537)	–	–	(1,537)
Provision for litigation	–	–	31,574	–	–	31,574	–	–	31,574
Write-down of properties held for sale	–	–	117,345	–	–	117,345	–	–	117,345

7. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2019

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Reportable segments' total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation of property, plant and equipment for the year	30,654	8,270	17,552	22,815	440	79,731	5,208	2,071	87,010
Depreciation of right of use assets for the year	10,231	10,620	1,511	711	–	23,073	3,280	18,270	44,623
Additions to non-current assets during the year	143,661	320,096	742,984	37,624	472	1,244,837	226,379	4,311	1,475,527
Additions to non-current assets through acquisition of subsidiaries during the year	–	–	65	–	–	65	337,696	–	337,761
Impairment loss of									
– trade receivables	9,350	–	2,739	10,184	–	22,273	4,769	–	27,042
– other receivables	–	–	11,712	–	–	11,712	–	–	11,712
Written off of other receivables	–	530	7,859	–	–	8,389	–	5	8,394
Loss on disposal of property, plant and equipment	901	852	–	–	–	1,753	–	–	1,753
Gain on disposal of a right-of-use asset	(127)	–	–	–	–	(127)	–	–	(127)
Fair value gain of investment properties	–	–	(237,945)	–	–	(237,945)	–	–	(237,945)
Loss (gain) in fair value of financial assets at FVTPL	–	540	–	–	(9,159)	(8,619)	–	–	(8,619)
(Gain) loss on disposal of debt instruments at FVTOCI	–	(1,499)	–	–	3,313	1,814	–	–	1,814
Interest income on bank deposits and pledged bank deposits	(178)	(595)	(357)	(24)	(4,172)	(5,326)	(17)	(304)	(5,647)
Interest income from finance lease receivables	–	–	–	–	(127)	(127)	–	–	(127)
Interest income from loan receivables	–	–	–	–	(2,064)	(2,064)	–	–	(2,064)
Write-down of inventories	9,004	–	–	–	–	9,004	–	–	9,004

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

	2020 RMB'000	2019 RMB'000
Segment assets		
Printing	**686,949**	680,086
Trading and logistics	**513,718**	828,502
Property development and investments	**13,133,132**	13,555,014
Solar photovoltaic	**769,608**	653,298
Financial services	**145,375**	176,196
	15,248,782	15,893,096
All other segments	**1,329,908**	1,405,320
Unallocated assets	**413,842**	357,079
Consolidated total assets	**16,992,532**	17,655,495

	2020 RMB'000	2019 RMB'000
Segment liabilities		
Printing	**845,629**	788,226
Trading and logistics	**340,060**	708,751
Property development and investments	**9,867,782**	9,615,837
Solar photovoltaic	**907,378**	211,724
Financial services	**70,250**	67,486
	12,031,099	11,392,024
All other segments	**1,778,022**	1,252,568
Unallocated liabilities	**2,067,284**	2,289,679
Consolidated total liabilities	**15,876,405**	14,934,271

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than corporate assets; and
- all liabilities are allocated to operating segments other than corporate liabilities.

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities *(Continued)*

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and the US.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the location of the operations of relevant group entities. The following table sets out information about the geographical location of revenue from external customers and non-current assets:

	Revenue from external customers		Non-current assets*	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**3,233,750**	3,213,710	**7,900,863**	8,248,263
The US	**136,939**	277,831	**130**	143
Hong Kong	**39,728**	58,007	**5,909**	34,492
European countries	**44,818**	79,722	**–**	–
Other countries	**60,216**	70,336	**–**	–
	3,515,451	3,699,606	**7,906,902**	8,282,898

* Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

The Group's customer base is diversified and none of the customers whom have transactions with the Group exceeded 10% of the Group's revenue during the current and prior years.

8. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Change in fair value of financial assets at FVTPL	**936**	8,619
Exchange loss, net	**(1,721)**	(2,794)
Gain (loss) on disposal of property, plant and equipment	**308**	(1,753)
Gain (loss) on disposal of debt instruments at FVTOCI	**1,142**	(1,814)
Gain on bargain purchase (note 44(a))	**–**	5,791
	665	8,049

9. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits and pledged bank deposits	**8,892**	5,647
Gain on disposal of a right-of-use asset	**–**	127
Government subsidy (note a)	**4,005**	–
Agency fee income (note b)	**27,038**	–
Others	**25,078**	10,803
	65,013	16,577

Notes:

a. During the current year, the amounts represented cash subsidies from the Employment Support Scheme ("ESS") by the Government of the Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic. The subsidy income from ESS covers the period from June 2020 to August 2020 and from September 2020 to November 2020. There is no unfulfilled condition in relation to the recognition of the subsidy income and therefore the full amount was recognised as income during the year ended 31 December 2020.

b. During the current year, the amounts represented an one-off agency fee income from the procurement of a parcel of land and buildings located in the PRC on behalf of a third party.

10. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000
Interest on bank borrowings and other borrowings	**1,060,814**	512,011
Interest on lease liabilities	**6,065**	6,160
Imputed interest arising on interest-free borrowings from immediate holding company	**2,346**	146,680
Imputed interest arising on obligations under financing arrangements	**–**	45,002
Effective interest expenses on convertible bonds (note 34)	**125,986**	66,844
Effective interest expenses on corporate bonds	**8,407**	16,590
Other finance charges	**22,019**	401
	1,225,637	793,688
Less: interest expenses capitalised into investment properties under construction/properties under development for sales/construction-in-progress (note)	**(326,929)**	(221,436)
	898,708	572,252

Note: The borrowing costs of general borrowings have been capitalised at a rate of 10% (31 December 2020: nil) per annum to expenses on the qualifying assets for the year ended 31 December 2019.

11. INCOME TAX (CREDIT) EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
Hong Kong Profits Tax	–	6,295
PRC enterprise income tax	4,057	2,103
PRC land appreciation tax	17,663	10,098
Other jurisdictions	351	1
	22,071	18,497
Over-provision in prior periods:		
Hong Kong Profits Tax	–	(114)
PRC enterprise income tax	(1,558)	628
	(1,558)	514
Deferred taxation (note 37)	(42,143)	51,461
	(21,630)	70,472

On 21 March 2019, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the years ended 31 December 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

The tax (credit) charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follow:

	2020 RMB'000	2019 RMB'000
Loss before tax	(1,651,474)	(563,283)
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	(364,170)	(108,409)
Tax effect of expenses not deductible for tax purposes	30,831	40,225
Tax effect of income not taxable for tax purposes	(8,393)	(6,530)
Tax effect of deductible temporary differences not recognised	89,687	10,241
Tax effect of tax losses not recognised	215,426	126,673
Utilisation of tax losses previously not recognised	(1,116)	(2,340)
(Over) under-provision in respect of prior periods	(1,558)	514
PRC land appreciation tax	17,663	10,098
Income tax (credit) expense	(21,630)	70,472

12. ASSETS CLASSIFIED AS HELD FOR SALE

	2020 RMB'000
Property, plant and equipment	2,279
Right-of-use assets	56,860
Total assets classified as held for sale	59,139

On 20 November 2020, Dalian Hydraulic Machinery Co., Limited ("Dalian Hydraulic"), a subsidiary of the Company, entered into an agreement with local authority to dispose of a group of assets, including property, plant and equipment, and right-of-use assets, at a cash consideration of RMB142,420,000. After deducting certain administrative costs of RMB5,200,000, the net proceeds will be RMB137,220,000. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised. The disposal is expected to complete in June 2021.

13. LOSS FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Loss for the year is arrived after charging (crediting):		
Directors' remuneration (note 14)	**11,080**	14,680
Staff cost, excluding Directors' remuneration:		
Salaries, wages and other benefits	**246,384**	257,364
Retirement benefit scheme contributions	**14,271**	36,072
Total staff costs	**271,735**	308,116
Rental income from investment properties:		
Gross rental income from investment properties	**(14,069)**	(9,615)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**1,165**	710
	(12,904)	(8,905)
Auditor's remuneration		
– Audit services	**3,251**	5,056
– Non-audit services	**24**	192
Provision for litigation	**31,574**	–
Cost of inventories recognised as an expense	**2,584,788**	2,798,954
Cost of properties recognised as an expense	**772,353**	572,106
Write-down of properties held for sales (included in cost of sales and services)	**117,345**	–
Write-down of inventories (included in cost of sales and services)	**–**	9,004
Written off of other receivables (included in administrative expenses)	**–**	8,394
Depreciation for property, plant and equipment	**102,730**	87,010
Depreciation for right-of-use assets	**47,732**	44,623
Research and development expenses	**9,280**	3,715

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and Chief Executive

The emoluments paid or payable to each of the Directors and the Chief Executive were as follows:

For the year ended 31 December 2020

	Fee RMB'000	Salary and other allowances RMB'000	Discretionary bonus (Note a) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Meng *(Chairman)*	–	6,766	–	9	6,775
Ms. Zhang Ye *(Chief Executive)*	–	2,069	–	52	2,121
Ms. Huang Xiumei (Note e)	–	423	–	–	423
Ms. Bao Limin (Note f)	–	110	–	–	110
Mr. Guo Song *(Deputy Chief Executive)* (Note b)	–	277	–	–	277
Mr. Zeng Hongbo (Note d)	–	445	–	5	450
Independent Non-executive Directors					
Mr. Zheng Bailin	308	–	–	–	308
Mr. Shen Ruolei	308	–	–	–	308
Mr. Pun Chi Ping	308	–	–	–	308
	924	10,090	–	66	11,080

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and Chief Executive *(Continued)*

For the year ended 31 December 2019

	Fee RMB'000	Salary and other allowances RMB'000	Discretionary bonus (Note a) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Meng *(Chairman)*	–	6,818	–	–	6,818
Ms. Zhang Ye *(Chief Executive)*	–	2,081	–	75	2,156
Mr. Guo Song *(Deputy Chief Executive)* (Note b)	–	1,815	321	–	2,136
Mr. He Shufen (Note c)	–	747	–	68	815
Mr. Zeng Hongbo (Note d)	–	1,776	–	16	1,792
Independent Non-executive Directors					
Mr. Zheng Bailin	321	–	–	–	321
Mr. Shen Ruolei	321	–	–	–	321
Mr. Pun Chi Ping	321	–	–	–	321
	963	13,237	321	159	14,680

Neither the Chief Executive nor any of the Directors waived any emoluments during the current and prior years.

During the current and prior years, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors and Chief Executive *(Continued)*

Notes:

(a) The discretionary bonus is determined by reference to the individual performance of the Directors and performance of the Group as a whole.

(b) Resigned on 27 February 2020.

(c) Retired on 28 June 2019.

(d) On 1 July 2018, Mr. Zeng Hongbo is appointed as an executive director and chief risk officer of the Company and resigned on 14 April 2020.

(e) Appointed on 27 February 2020.

(f) Appointed on 14 April 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as Directors.

Employees

Of the five individuals with the highest emoluments in the Group, there were two (31 December 2019: four) directors whose emoluments are included in the disclosures above. The emoluments of the three (2019: one) non-directors individuals are disclosed for the current year as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other allowances	**3,667**	1,631
Retirement benefit scheme contributions	**115**	16
	3,782	1,647

Their emoluments were within the following bands:

	No. of employee	
	2020	2019
HK$1,000,001 to HK$1,500,000 (approximately RMB855,000 to RMB1,282,000)	**2**	–
HK$1,500,001 to HK$2,000,000 (approximately RMB1,282,000 to RMB1,709,000)	**1**	1
	3	1

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to shareholders of the Company is based on the following data:

	2020	2019
	RMB'000	RMB'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company)	**(1,573,818)**	(644,710)

	2020	2019
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	**61,543,075**	60,891,859

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive impact in both years.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
COST							
At 1 January 2019	820,060	818,841	38,382	67,307	43,313	417,403	2,205,306
Additions	162,696	19,699	7,479	6,796	1,509	257,045	455,224
Acquisition of subsidiaries (note 44(a))	81,630	7,366	218	1,504	235	72,439	163,392
Reclassification from properties held for sale	–	–	–	–	–	220,500	220,500
Disposals	(1,745)	(7,163)	(291)	(472)	(4,880)	–	(14,551)
Disposal of subsidiaries (note 44(b))	–	–	–	(1)	–	(1,189)	(1,190)
Exchange adjustment	4,317	7,567	267	1,001	225	1,328	14,705
At 31 December 2019 and 1 January 2020	1,066,958	846,310	46,055	76,135	40,402	967,526	3,043,386
Additions	770	42,438	3,745	4,540	4,335	295,684	351,512
Acquisition of subsidiaries (note 44(a))	–	–	–	12	–	–	12
Transfer to asset held for sales	(4,840)	–	–	–	–	–	(4,840)
Disposals	–	(19,455)	(2,584)	(475)	(5,451)	(744)	(28,709)
Disposal of subsidiaries (note 44(b))	–	–	(142)	(262)	(10)	(114,550)	(114,964)
Exchange adjustment	(13,212)	(17,505)	(701)	(2,631)	(554)	(3,235)	(37,838)
At 31 December 2020	1,049,676	851,788	46,373	77,319	38,722	1,144,681	3,208,559
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	241,999	570,743	31,346	56,350	19,874	7,866	928,178
Provided for the year	34,340	34,665	5,177	5,304	7,524	–	87,010
Disposals	(1,745)	(6,202)	(101)	(436)	(1,253)	–	(9,737)
Exchange adjustment	2,723	6,013	237	821	157	–	9,951
At 31 December 2019 and 1 January 2020	277,317	605,219	36,659	62,039	26,302	7,866	1,015,402
Provided for the year	43,929	43,224	4,279	5,933	5,365	–	102,730
Transfer to asset held for sales	(2,561)	–	–	–	–	–	(2,561)
Disposals	–	(18,730)	(2,595)	(396)	(2,478)	–	(24,199)
Disposal of subsidiaries (note 44(b))	–	–	(72)	(94)	(4)	–	(170)
Impairment loss recognised	43,810	70,556	–	–	–	–	114,366
Exchange adjustment	(7,052)	(15,030)	(662)	(2,240)	(443)	–	(25,427)
At 31 December 2020	355,443	685,239	37,609	65,242	28,742	7,866	1,180,141
CARRYING VALUES							
At 31 December 2020	**694,233**	**166,549**	**8,764**	**12,077**	**9,980**	**1,136,815**	**2,028,418**
At 31 December 2019	789,641	241,091	9,396	14,096	14,100	959,660	2,027,984

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis, over the following period:

Buildings	20 – 50 years
Plant and machinery	10 – 15 years
Furniture and fixtures	5 – 10 years
Computer and office equipment	5 – 6 years
Motor vehicles	5 – 6 years

As at 31 December 2020 and 2019, all of the buildings are situated in the PRC and held under medium term leases.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on higher of fair values less costs of disposal and value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant property, plant and equipment. Other key assumptions applied in the impairment tests include the expected product sales, product costs and related expenses. Management determines these key assumptions based on past performance and their expectations on market development. Furthermore, the Group adopts a pre-tax rate ranging from 10.6% to 10.9% that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments.

In determining the fair value less costs of disposal of certain property, plant and equipment of the Group, either market approach or depreciated replacement cost approach, where appropriate, are adopted. The fair value measurement of the property, plant and equipment is categorised within level 3 of the fair value hierarchy.

Based on the results of the above review, impairment losses of approximately RMB37,185,000 and RMB6,625,000 were recognised on certain buildings of the solar segment and other segment of the Group respectively. In addition, impairment losses of approximately RMB50,287,000 and RMB20,269,000 were recognised on certain plant and machinery under the solar segment and printing segment of the Group respectively.

During the year ended 31 December 2019, certain properties classified as held for sale with a carrying amount of RMB220,500,000 (31 December 2020: nil) were reclassified to property, plant and equipment as a result of finalisation of development plan where these properties will become hotels and entertainment park to be operated by the Group itself.

Property, plant and equipment with a total carrying amount of RMB707,670,000 (31 December 2019: RMB707,938,000) has been pledged to secure bill payables and borrowings of the Group as at 31 December 2020 (note 48).

17. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2019	516,800	5,297,575	5,814,375
Additions	–	523,614	523,614
Disposals	(119,350)	–	(119,350)
Change in fair value of investment properties	(450)	238,395	237,945
Reclassification to properties held for sale	–	(1,593,434)	(1,593,434)
At 31 December 2019	397,000	4,466,150	4,863,150
Additions	731	493,798	494,529
Disposal	(3,047)	–	(3,047)
Change in fair value of investment properties	(27,393)	(148,582)	(175,975)
Disposal through disposal of subsidiaries (note 44(b))	(19,491)	–	(19,491)
At 31 December 2020	347,800	4,811,366	5,159,166

All of these investment properties are under medium-term leases in the PRC.

During the year ended 31 December 2019, the Group commenced the property development of a parcel of land of which a portion of it is expected to be held for sale. Accordingly, it results in a transfer from investment properties to properties held for sale. On the date of reclassification, the fair value of the investment properties of approximately RMB1,593,434,000 (31 December 2020: nil) at the date of transfer becomes the deemed cost for subsequent accounting of the properties held for sale.

The fair values of the Group's investment properties as at 31 December 2020 and 2019, and as at the date of reclassification, have been arrived at on the basis of valuations carried out on the date by LCH. The valuer is a firm of independent qualified valuers not connected with the Group and have the appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

Investment properties are measured at fair values for financial reporting purpose. In estimating the fair value of an investment property, the Group uses market observable data to the extent it is available. The Group engages independent qualified professional valuers to perform the valuation. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties.

17. INVESTMENT PROPERTIES *(Continued)*

In estimating the fair value of these investment properties, the highest and best use of the properties is their current use.

As at 31 December 2020, the Group's completed investment properties carried at fair value of RMB293,100,000 (31 December 2019: RMB317,300,000) and investment properties under construction at fair value of RMB4,811,366,000 (31 December 2019: RMB4,466,150,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

As at 31 December 2020, completed investment properties at fair value of nil (31 December 2019: RMB25,800,000) were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. As at 31 December 2020, completed investment properties at fair value of RMB347,800,000 (31 December 2019: RMB371,200,000) were arrived at based on either the income approach or market comparison approach, where for leased area the average monthly rent of all lettable units of the properties are assessed and discounted at the market yield expected by investors for these type of properties. The average monthly rentals are assessed by reference to a long term rental agreement entered with a tenant for all lettable units of the properties. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in a land and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. For vacant area, the fair value were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

As at 31 December 2020, investment properties under construction with aggregate fair values of RMB4,451,666,000 (31 December 2019: RMB2,076,000,000) were arrived at based on the residual approach, where the gross development values are determined by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The valuations have further taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, the remainder of the cost and fees expected to be incurred for completing the development and developer's profit margin.

For the remaining investment properties under construction with a fair value of RMB359,700,000 (31 December 2019: RMB2,390,150,000) as at 31 December 2020, the management reviewed the construction status of the buildings and structures of the subject investment properties and considered that no market sales comparable was readily available for such preliminary stage of construction. Therefore, the fair value was arrived at by reference to the market value for the existing use of the land, plus the current costs of construction, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

17. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	Level 3 RMB'000	**Fair value as at 31 December 2020 RMB'000**
Commercial units located in the PRC	**5,093,166**	**5,093,166**
Residential units located in the PRC	**66,000**	**66,000**
	5,159,166	**5,159,166**

	Level 3 RMB'000	Fair value as at 31 December 2019 RMB'000
Commercial units located in the PRC	4,785,350	4,785,350
Residential units located in the PRC	77,800	77,800
	4,863,150	4,863,150

17. INVESTMENT PROPERTIES *(Continued)*

Recurring fair value measurement

The following tables give information about how the fair values of these investment properties as at 31 December 2020 and 2019 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	31 December 2020 RMB'000	31 December 2019 RMB'000				
Investment properties under construction located at Minhang District, Shanghai, the PRC	**2,499,666**	2,390,150	Level 3	Residual approach (2019: Market approach)	Residual approach: Market unit sale rate at RMB31,500-49,400 per square meter (31 December 2019: market unit sale rate of land at RMB 22,200 per square meter)	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
					Estimated cost to complete amounted to approximately RMB560,149,496	A significant increase in the cost to complete would result in a significant decrease in fair value, and vice versa
					Expected developer's profit margin at 10%	A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa
Investment properties under construction located at the south-eastern side of the junction of Titan Road and Zhongshan Road, Shahekou District, Dalian City, Liaoning Province, the PRC	**1,952,000**	2,076,000	Level 3	Residual approach	Market unit sale rate at RMB17,300-23,500 (31 December 2019: RMB17,100-25,500) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
					Estimated cost to complete amounted to approximately RMB352,500,000 (31 December 2019: RMB681,711,000)	A significant increase in the cost to complete would result in a significant decrease in fair value, and vice versa
					Expected developer's profit margin at 10% (31 December 2019:15%)	A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa

17. INVESTMENT PROPERTIES *(Continued)*

Recurring fair value measurement *(Continued)*

	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	31 December 2020 RMB'000	31 December 2019 RMB'000				
Commercial and office units located at No.4, Sanba Square, Zhongshan District, Dalian City, Liaoning Province, the PRC	**227,100**	239,500	Level 3	Income approach	Average monthly rent at RMB61-175 per square meter (31 December 2019: RMB61-175 per square meter) based on existing value, rental contract.	A significant increase in the monthly rent would result in a significant increase in fair value and vice versa
					Market yield at 4%-5% (31 December 2019: 3%-5%).	A slight decrease in the market yield would result in a significant increase in fair value, and vice versa
Commercial units located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	**10,100**	9,000	Level 3	Income approach/market comparison approach	Income approach: Average monthly rent at RMB8 (31 December 2019: RMB8) per square meter based in existing rental contract	A significant increase in the monthly rent would result in a significant increase in fair value and vice versa
					Market yield: 3.8%-7.4% (31 December 2019: 5.7%-6.7%)	A slight decrease in the market yield would result in a significant increase in fair value, and vice versa
					Market comparison method: Market unit sale rate: RMB5,000-6,000 (31 December 2019: RMB4,100-6,600) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Commercial units located at the middle of Kunlun Street, Bayuguan District, Liaoning Province, the PRC	**44,600**	44,900	Level 3	Income approach/market comparison approach	Income approach: Average monthly rent at RMB27 (31 December 2019: RMB28) per square meter based on existing value, rental contract	A significant increase in the monthly rent would result in a significant increase in fair value and vice versa
					Market yield rate at 6.4%-7.4% (31 December 2019: 5.7%-8.2%)	A slight decrease in the market yield would result in a significant increase in fair value, and vice versa
					Market comparison method: Market unit sale rate at RMB6,000 (31 December 2019: RMB4,100-6,600) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa

17. INVESTMENT PROPERTIES *(Continued)*

Recurring fair value measurement *(Continued)*

	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	31 December 2020 RMB'000	31 December 2019 RMB'000				
Office units and commercial units located at Liangxi District, Wuxi City, Jiangsu Province, the PRC	**–**	25,800	Level 3	Market comparison approach	31 December 2019: RMB24,300 per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Residential units located in Shenzhen City, Guangdong Province, the PRC	**66,000**	77,800	Level 3	Income approach/Market comparison approach	Income approach: Average monthly rent at RMB102 (31 December 2019: RMB102) per square meter	A significant increase in the monthly rent would result in a significant increase in fair value, and vice versa
					Market yield rate at 4.2% (31 December 2019: 3.9%)	A slight decrease in the market yield would result in a significant increase in fair value, and vice versa
					Market comparison method: Market unit sale rate from RMB37,500-RMB38,600 (31 December 2019: RMB44,400 to RMB45,700) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Landlots located at Ganjingzi District, Dalian City, Liaoning Province, the PRC	**359,700**	–	Level 3	Market comparison approach	Market unit sale rate from RMB500 to RMB5,604 per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
	5,159,166	4,863,150				

All the market unit sale rate and rental adopted above have been determined after taking into account the location, size factor, layout and floor.

There was no transfer among the three levels of the fair value hierarchy during the current and prior years.

18. GOODWILL

	RMB'000
COST	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	13,933
IMPAIRMENT	
At 1 January 2019, 31 December 2019 and 1 January 2020	5,846
Impairment loss recognised during the year	8,087
At 31 December 2020	13,933
CARRYING VALUE	
At 31 December 2020	–
At 31 December 2019	8,087

For the purpose of impairment testing, goodwill have been allocated to an individual CGU, under financial services business. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2020 and 2019 allocated to this unit are as follows:

	2020 RMB'000	2019 RMB'000
Financial services	**–**	8,087

For the year ended 31 December 2020, the financial services resulted in a net loss for the operating segment. Accordingly, the Directors have consequently determined impairment of goodwill directly related to financial services amounting to RMB8,087,000 and recognised in the profit or loss for the year ended 31 December 2020.

19. INTEREST IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Cost of investment in an associate	**18,000**	18,000
Share of post-acquisition profits and other comprehensive income	**11,731**	11,213
Total	**29,731**	29,213

19. INTEREST IN AN ASSOCIATE *(Continued)*

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2020	2019	**2020**	2019	
Liaoning BF Exchange Financial Assets Exchange Co., Limited	PRC	PRC	**20%**	20%	**20%**	20%	Transaction of wealth products, bond products, entrustment credit right products and logistics finance products

20. INTEREST IN A JOINT VENTURE

	2020	2019
	RMB'000	RMB'000
Cost of investment in a joint venture	**–**	–

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2020	2019	**2020**	2019	
Nanjing Bao Heng Real Estate Development Co., Ltd. (note a)	PRC	PRC	**51%**	51%	**50%**	50%	Inactive

Notes:

(a) On 26 April 2019, Huajun Properties Group Limited (formely known as Baohua Properties (China) Limited), an indirect wholly-owned subsidiary of the Company, entered into a strategic cooperation framework agreement (the "Strategic Agreement") with Hengda Real Estate Group (Nanjing) Property Company Limited, an independent third party, in relation to the formation and capital contribution of Nanjing Bao Heng Real Estate Development Co., Ltd. ("Nanjing Bao Heng"). Pursuant to certain terms and conditions stated in the Strategic Agreement, the relevant activities of Nanjing Bao Heng require unanimous approval from all joint venture partners. Nanjing Bao Heng is jointly controlled by the Group and another joint venture partner and, as such, it is accounted for as a joint venture of the Group.

As the joint venture has not started business in both financial years, there is no share of profits/loss recognised to profit or loss for the year ended 31 December 2020 (31 December 2019: nil).

21. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND PROPERTIES HELD FOR INVESTMENT AND DEVELOPMENT

	2020	2019
	RMB'000	RMB'000
Deposits for purchases of:		
– Plant and machineries	**62,680**	61,863
– Properties held for investment and development	**–**	527,270
– Right-of-use assets	**–**	60,754
Total	**62,680**	649,887
Analysis as:		
Non-current	**62,680**	649,887

As at 31 December 2020, the carrying amount of deposits for purchases or modification of plant and machineries, investment property and leasehold land includes:

(a) Deposits totalling of RMB32,063,000 (31 December 2019: RMB23,423,000) for purchases of the machineries and other equipment, which will be used in printing, trading and hydraulic business in the PRC.

(b) Deposits totalling of RMB30,617,000 (31 December 2019: RMB22,708,000) for purchases or modification of several production lines and the relevant equipment, which will be used in its manufacturing of solar photovoltaic business.

(c) As at 31 December 2019, deposits totalling of approximately RMB27,742,000 (31 December 2020: nil) for a right-of-use asset for land and property, plant and equipment, which would be used in its automobile business in the PRC. The right-of-use and property, plant and equipment were obtained during the year ended 31 December 2020 and transferred to right-of-use assets and property, plant and equipment.

(d) As at 31 December 2019, deposits totalling of approximately RMB319,270,000 (31 December 2020: nil) for a right-of-use asset for land in the PRC. The right of use was obtained during the year ended 31 December 2020 and transferred to investment properties under development as the land is expected to be developed into business services, commercial and logistic centre for lease to generate rental income.

21. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND PROPERTIES HELD FOR INVESTMENT AND DEVELOPMENT *(Continued)*

(e) As at 31 December 2019, deposits totalling of RMB208,000,000 (31 December 2020: nil) for acquisition of Dong Yin Building as a property development and investment project of the Group. The balance was reclassified to "trade and other receivables, deposits and prepayment" during the year ended 31 December 2020 after delayed completion of the the acquisition and the balance is expected to be recovered within the next twelve months as at 31 December 2020.

(f) As at 31 December 2019, deposits totalling of approximately RMB48,774,000 (31 December 2020: nil) for the purchase of a right-of-use asset for land, which would be used in its manufacturing of solar photovoltaic business. The right of use was obtained during the year ended 31 December 2020 and transferred to right-of-use assets.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **RMB'000**	2019 RMB'000
Listed equity securities, at fair value (note a)	**6,766**	10,024
Listed fund investments, at fair value (note b)	**3,769**	3,864
Unlisted fund investment, at fair value (note c)	**28,998**	35,815
Listed bond investments, at fair value (note d)	**3,282**	19,482
Unlisted bond investments, at fair value (note d)	**–**	7,280
Total	**42,815**	76,465

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Classified as:

	2020 RMB'000	2019 RMB'000
Financial assets mandatorily measured at FVTPL	**39,533**	49,703
Debt instruments at FVTOCI	**3,282**	26,762
Total	**42,815**	76,465

Analysed as:

	2020 RMB'000	2019 RMB'000
Financial assets mandatorily measured at FVTPL		
Listed in Hong Kong	**6,766**	8,624
Listed in overseas	**3,769**	5,264
Unlisted in overseas	**28,998**	35,815
	39,533	49,703
Current	**10,535**	13,888
Non-current	**28,998**	35,815
Total	**39,533**	49,703
Debt instruments at FVTOCI		
Listed in overseas	**3,282**	19,482
Unlisted in overseas	**–**	7,280
	3,282	26,762
Non-current	**3,282**	26,762

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(a) The basis of fair value measurement of listed equity securities was quoted price of equity interest listed on the respective stock exchange markets. The fair value was measured at Level 1 fair value measurement (as defined in note 43(c)).

(b) The basis of fair value measurement of listed fund investments was based on the reference prices provided by counterparty financial institutions. The fair value was measured at Level 2 fair value measurement (as defined in note 43(c)).

(c) The basis of fair value measurement of unlisted fund investments consisted of quotation provided by third parties which imply the use non-observable market information as significant inputs. The fair value was measured at Level 3 fair value measurement (as defined in note 43(c)).

(d) During the year ended 31 December 2020, the Group has disposed bond investments at consideration of approximately RMB23,404,000 (31 December 2019: RMB23,208,000) and the cumulative fair value gain of RMB1,142,000 (31 December 2019: loss of RMB1,814,000) is reclassified from investment revaluation reserve to profit or loss.

As at 31 December 2020, the effective interest rate of these listed/unlisted bond investments is ranging from 8.8% (31 December 2019: 6.6% to 9.2%) per annum. The fair value of listed bond investments was measured at Level 1 fair value measurement (as defined in note 43(c)). The basis of fair value measurement of unlisted bond is based on the reference prices provided by counterparty financial institutions. The fair value was measured at Level 2 fair value measurement (as defined in note 43(c)).

23. PROPERTIES HELD FOR SALE

	2020 **RMB'000**	2019 RMB'000
Completed properties held for sale	**2,273,059**	1,826,555
Properties under development for sale	**4,836,075**	5,613,489
	7,109,134	7,440,044
Properties to be realised after one year	**4,830,916**	3,247,491

23. PROPERTIES HELD FOR SALE *(Continued)*

All of the above properties held for sale are to be sold as part of the normal operating cycle of the Group thus they are classified as current assets.

As at 31 December 2020 and 2019, all of the above land and properties are situated in the PRC under medium or long-term leases.

As at 31 December 2020, properties held for sale with a total carrying amount of RMB5,649,364,000 (31 December 2019: RMB5,507,010,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

During the year ended 31 December 2020, a write-down on properties held for sales to their net realisable value amounted to approximately RMB117,345,000 (2019: nil) was recognised in profit or loss.

24. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Raw materials	**56,164**	53,687
Work in progress	**15,115**	13,927
Finished goods	**159,613**	166,334
	230,892	233,948

25. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2020 **RMB'000**	2019 RMB'000
Land	**479,898**	558,172
Buildings	**12,794**	26,927
Plant and machinery	**32,301**	35,586
	524,993	620,685

25. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(i) Right-of-use assets *(Continued)*

At 31 December 2020, right-of-use assets of RMB479,898,000 (31 December 2019: RMB558,172,000) represents land use rights located in the PRC. At 31 December 2020, right-of-use assets in respect of land use rights amounting to RMB266,973,000 (31 December 2019: RMB254,455,000) had been pledged to secure bill payables and borrowings of the Group (note 48).

Apart from the land use rights located in the PRC, the Group has lease arrangements for buildings and plant and machinery. The lease terms generally range from one to four years.

During the year ended 31 December 2020, the Directors conducted a review of the Group's right-of-use assets based on the higher of their value in use and fair value less costs of disposal. No impairment loss was recognised based on the results of the review.

During the year ended 31 December 2020, the Group has disposed a land use right to the local government authority at a cash consideration of RMB51,905,000 (31 December 2019: RMB2,203,000) and no gain or loss on the disposal was recognised (31 December 2019: RMB127,000).

(ii) Lease liabilities

	2020 **RMB'000**	2019 RMB'000
Non-current	**8,017**	14,923
Current	**14,238**	30,570
	22,255	45,493

25. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(ii) Lease liabilities *(Continued)*

	2020 RMB'000	2019 RMB'000
Amounts payable under lease liabilities		
Within one year	14,238	30,570
In more than one year but not more than two years	8,017	10,230
In more than two years but not more than five years	–	4,693
	22,255	45,493
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(14,238)	(30,570)
Amounts due for settlement after 12 months	8,017	14,923

As at 31 December 2020, the lease liabilities in respect of leased plant and machinery under hire purchase agreements amounted to approximately RMB10,562,000 (2019: RMB25,614,000) was secured by the lessor's title to the leased assets.

During the year ended 31 December 2020, the Group entered into a number of new lease agreements in respect of renting properties and recognised lease liability of RMB11,332,000 (31 December 2019: RMB6,501,000).

(iii) Amounts recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Depreciation expense on right-of-use assets		
– Land	18,982	14,800
– Buildings	25,465	26,709
– Plant and machinery	3,285	3,114
	47,732	44,623
Interest expense on lease liabilities	6,065	6,160
Expense relating to short-term leases	780	2,571

25. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(iv) Others

During the year ended 31 December 2020, the total cash outflow for leases amount to RMB57,350,000 (2019: RMB85,839,000).

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables (note a)		
– goods and services	**311,627**	292,288
Less: allowance for credit losses	**(63,487)**	(49,589)
	248,140	242,699
Deposits and other receivables (note b)	**1,091,838**	500,494
Less: allowance for credit losses	**(93,798)**	(21,462)
	998,040	479,032
Prepayments (note c)	**147,058**	297,512
Total	**1,393,238**	1,019,243
Analysis as:		
– Current	**1,291,324**	935,351
– Non-current	**101,914**	83,892
Total	**1,393,238**	1,019,243

At as 31 December 2020, the gross amount of trade receivables arising from contracts with customers amounted to RMB311,627,000 (31 December 2019: RMB292,288,000).

The Group allows credit term to selected customers on a case-by-case basis depending on the business relationship with and creditworthiness of the respective customers.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	2020 **RMB'000**	2019 RMB'000
0 – 30 days	**153,206**	167,523
31 – 90 days	**57,570**	35,914
91 – 180 days	**26,936**	17,917
Over 180 days	**10,428**	21,345
	248,140	242,699

As at 31 December 2020, total bills received amounting to RMB75,537.000 (31 December 2019: RMB22,322,000) are held by the Group for future settlement of trade receivables, of which certain bills were further endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note a. All bills received by the Group are with a maturity period of less than one year.

Other than the bills received, the Group did not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is set out in note 43(b).

Details of impairment assessment of trade and other receivables as at 31 December 2020 and 2019 are set out in note 43(b).

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes:

(a) Transfers of financial assets

As at 31 December 2020, the total bills receivables represent bills endorsed to suppliers and other creditors on a full recourse basis that are not yet due amounting to RMB63,734,000 (31 December 2019: RMB12,292,000). As the Group has not transferred the significant risks and rewards relating to these bills, it continues to recognise the full carrying amount of the assets in the consolidated financial statements. The associated borrowings and trade and other payables are secured over the discounted bills and endorsed bills received which were not yet due at the end of the reporting period and are recognised as current liabilities in the consolidated statement of financial position.

At 31 December 2020

	Bills received endorsed with full recourse RMB'000	**Total RMB'000**
Carrying amount of transferred assets	**63,734**	**63,734**
Carrying amount of associated liabilities	**(63,734)**	**(63,734)**
Net position	**–**	**–**

At 31 December 2019

	Bills received endorsed with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	12,292	12,292
Carrying amount of associated liabilities	(12,292)	(12,292)
Net position	–	–

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(b) Detailed analysis for deposits and other receivables is as follows:

	2020 RMB'000	2019 RMB'000
Deposits paid to/for		
– PRC real estate bureau for pre-sold properties	–	4,625
– PRC real estate bureau for change in use of land	20,000	–
– Rental deposits paid	1,604	7,731
– Acquisition of additional interest of a subsidiary (note i)	46,000	46,000
– Acquisition of a property project and prepaid procurement fee (note ii)	340,000	–
– Others	11,559	14,799
Other receivables from:		
– Receivables from a former associate (note iii)	–	2,000
– Receivables from disposal of an investment property (note iv)	11,772	11,772
– Others (note v)	152,112	177,342
– Consideration receivable (note vi)	242,799	–
Other taxes receivables (note vii)	265,992	236,225
	1,091,838	500,494
Less: allowance for credit losses	(93,798)	(21,462)
	998,040	479,032

Notes:

(i) On 23 May 2019, Huajun Properties Group Limited (formerly known as "Baohua Properties (China) Limited"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with the vendor, to acquire 30% equity interests in Huajun Properties (Jiangyin) Co., Ltd. (formerly known as Wuxi Huize Real Estate Co., Ltd) ("Jiangyin Properties"), a 70% indirectly owned subsidiary of the Company, for the consideration of approximately RMB154,191,000.

Up to the date of these consolidated financial statements were authorised for issuance, the acquisition has not been completed. As at 31 December 2020, deposit amounting to RMB46,000,000 (2019: RMB46,000,000) was paid by the Group and will be applied to satisfy part of the consideration.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(b) Detailed analysis for deposits and other receivables is as follows: *(Continued)*

(ii) As at 31 December 2020, the amounts represented deposits paid of RMB210,000,000 for the acquisition of a property development and investment project and prepaid service fee of RMB130,000,000 for the procurement of certain landlords from a village in the Guangdong Province in the PRC. The transactions were not completed based on stipulated timeline and therefore is subject to refund from the counterparty. The Group has filed a claim against the counterparty to recover the balances. The hearing date is set on 8 April 2021 and the court issued an order to freeze certain assets held by the counterparty. As the credit quality of the counterparty has deteriorated, there has been a significant increase in credit risk and a lifetime ECL of RMB71,400,000 has been provided in respect of the receivable balance.

In determining the ECL for the asset, the Directors have taken into account the credit history of the debtor with reference to external and internal sources and value of freezed assets, as appropriate, in estimating the probability of the default of this financial asset as well as the loss upon default.

(iii) The amount was unsecured, interest-free and had no fixed term of repayment. The balance was fully settled during the year ended 31 December 2020.

(iv) The amount represented receivable from disposal of certain property units to an independent third party in prior years. Full impairment loss was recognised in the current year after taking into account the long outstanding status and credit quality of the debtor.

(v) The amount mainly represented receivables from other debtors arising from daily operations.

(vi) As at 31 December 2020, gross amount of consideration receivables of approximately RMB242,799,000 represented receivables from disposal of subsidiaries taken place during the year ended 31 December 2020 (note 44(b)). A 12-month ECL of RMB2,824,000 was provided taking into account the past relationship of the Group with the counterparty and settlement from counterparty subsequent to the end of the reporting period. The balances were fully settled subsequent to the end of the reporting period.

(vii) The amount mainly represented value-added tax arising from the Group's property development and investment business. As at 31 December 2020, other tax receivables amounting to approximately RMB55,914,000 (31 December 2019: RMB37,892,000) is expected to realise after one year and accordingly classified as non-current assets.

Details of impairment assessment of deposits and other receivables as at 31 December 2020 and 2019 are set out in note 43(b).

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(c) Detailed analysis for prepayments is as follow:

	2020 **RMB'000**	2019 RMB'000
Prepayments to suppliers, in respect of:		
– solar photovoltaic business	**358**	358
– printing	**8,384**	–
– petrochemical and other related products	**65,631**	175,197
– property development	**13,390**	23,670
– others	**10,634**	–
Deemed prepayments to subcontractors for properties held for sale (note)	**34,746**	36,877
Other prepayments	**13,915**	61,410
	147,058	297,512

Note: During the year ended 31 December 2020, approximately RMB2,131,000 (31 December 2019: RMB173,258,000) was set off against the construction cost payables to the subcontractors.

27. LOAN AND INTEREST RECEIVABLES

	2020 RMB'000	2019 RMB'000
Loan receivables	10,000	14,464
Interest receivables	1,525	540
	11,525	15,004
Less: allowance for impairment	(11,525)	–
	–	15,004

The Group's loan receivables, which arise from the money lending business of providing personal loans and corporate loans in the PRC, are denominated in RMB.

As at 31 December 2020 and 2019, certain loan receivables were secured by collaterals provided by customers. The loan receivables carry interest of 15% (31 December 2019: 15%) per annum and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

Details of impairment assessment of loan receivables and interest receivables as at 31 December 2020 and 2019 are set out in note 43(b).

28. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/ RESTRICTED BANK BALANCES

As at 31 December 2020, bank balances comprised of time deposits with maturity less than three months and carry fixed interest rate of 2.6% (31 December 2019: 2.6%) per annum. The remaining bank balances carry interest at prevailing market rates which range from 0.3% to 2.5% (31 December 2019: 0.3% to 2.5%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure bill payables and borrowings to the Group. The deposits are carrying fixed interest rate range from 0.35% to 1.95% (31 December 2019: 0.35% to 1.95%) per annum. The pledged bank deposits will be released upon the repayment of relevant bill payables and borrowings.

As at 31 December 2020, restricted bank balances represented bank balances that are frozen due to ongoing court cases. Out of the balances, approximately RMB40,778,000 (31 December 2019: RMB54,513,000) was frozen from the default of bank borrowings.

Details of impairment assessment of bank balances, pledged bank deposits and restricted bank balances as at 31 December 2020 and 2019 are set out in note 43(b).

29. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

	2020 RMB'000	2019 RMB'000
Trade payables	**330,087**	287,232
Construction payables	**242,605**	99,284
	572,692	386,516
Accrued construction cost	**258,706**	403,623
Deposits received (note a)	**50,423**	50,726
Other payables (note b)	**1,350,158**	194,829
Other accruals	**142,316**	112,317
	2,374,295	1,148,011

The following is an aged analysis of trade payables and construction payables based on the invoice date at the end of the reporting period.

	2020 RMB'000	2019 RMB'000
0 – 30 days	**243,480**	134,688
31 – 90 days	**39,821**	33,045
91 – 365 days	**194,937**	184,415
Over 365 days	**94,454**	34,368
	572,692	386,516

The average credit period on purchase and construction cost is arranging from 30 to 90 days. The Group has financial risk management policies in place to monitor that all trade payables are settled within the credit timeframe.

As at 31 December 2020, the bills amounted to approximately RMB63,734,000 (31 December 2019: RMB12,292,000) endorsed to the suppliers for which the maturity dates have not yet been due continue to be recognised as trade payables.

29. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES *(Continued)*

Notes:

(a) Detailed analysis for deposits received is as follow:

	2020 **RMB'000**	2019 RMB'000
Rental deposit received	**423**	726
Deposit received for a joint property development project (Note)	**50,000**	50,000
	50,423	50,726

Note: On 20 June 2017, the Group has entered into a cooperation agreement (the "Cooperation Agreement") with an independent third party, a private company incorporated in the PRC, to establish a joint venture company for the purpose of developing a leasehold land currently wholly owned by the Group, located in Dongguan City, Guangdong, the PRC as residential properties (the "Project").

Thereafter, the Directors noticed that the Project shall be abandoned because it is unlikely that the Cooperation Agreement can be continued due to the failure to comply with certain urban renewal policies in Guangdong, the PRC. However, the proposed termination on the Cooperation Agreement was rejected by the counterparty, which further raised a civil prosecution against the Group for legal claim resulted from termination.

The hearing was held on 29 March 2019 and a judgement was handed down by Guangdong High Court on 29 September 2019, requesting the Group to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000 to the counterparty. The Group filed an appeal to the Guangdong High Court and the hearing was held in October 2020. The appeal was rejected and the Group is still liable to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000. In December 2020, the Group has applied for retrial to the Supreme People's Court.

The Group has made a provision of RMB80,000,000 (2019: RMB80,000,000) in respect of the damages in the consolidated financial statements and included under other accruals.

(b) Detailed analysis for other payables is as follow:

	2020 **RMB'000**	2019 RMB'000
Other tax payables	**51,976**	14,137
Interest and penalty payables	**1,096,982**	38,702
Others	**201,200**	141,990
	1,350,158	194,829

30. BILL PAYABLES

Bills are issued to the creditors, either by the Group or by the banks, in Hong Kong and the PRC with maturity up to one year.

An aged analysis of the relevant bill payables based on the issuance date of the bills at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
0 – 30 days	**51,803**	376,612
31 – 60 days	**2,000**	–
61 – 90 days	**–**	20,000
Over 90 days	**374,270**	333,357
	428,073	729,969

All bill payables are secured by the assets as disclosed in note 48.

31. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings	**4,248,341**	3,879,270
Other borrowings from financial institutions	**5,687,000**	5,997,000
Other borrowings from non-controlling shareholders	**274,607**	296,147
	10,209,948	10,172,417
Secured	**9,904,341**	9,772,820
Unsecured	**305,607**	399,597
	10,209,948	10,172,417
Carrying amount repayable based on repayment schedule:		
Within one year	**9,084,328**	4,266,637
More than one year but not more than two years	**1,125,620**	4,781,960
More than two years but not more than five years	**–**	1,123,820
	10,209,948	10,172,417
Less: carrying amount repayable within one year and do not contain a repayable on demand clause	**(9,084,328)**	(4,266,637)
Amounts shown under current liabilities	**(9,084,328)**	(4,266,637)
Amounts shown under non-current liabilities	**1,125,620**	5,905,780

31. BORROWINGS *(Continued)*

The exposure of the Group's borrowings and the contractual maturity dates (or reset dates) are as follows:

	2020 **RMB'000**	2019 RMB'000
Variable-rate borrowings:		
Within one year	**32,000**	32,000
Fixed-rate borrowings		
Within one year	**9,052,328**	4,234,637
In more than one year but not more than two years	**1,125,620**	4,781,960
In more than two years but not more than five years	**–**	1,123,820
	10,209,048	10,172,417

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2020 **RMB'000**	2019 RMB'000
Effective interest rate:		
– Fixed-rate borrowings	**4.4% – 12.0%**	4.4% – 12.0%
– Variable-rate borrowings	**2.5% – 3.0%**	1.5% – 3.0%

(a) As at 31 December 2020, the weighted average effective interest rate on the borrowings is 8.7% (31 December 2019: 9.6%) per annum.

(b) As at 31 December 2020 and 2019, certain banking facilities and loans granted to the Group are secured by the Group's assets. Details of the pledged assets are disclosed in note 48. Details of the Group's management of liquidity risk are set out in note 43(b).

31. BORROWINGS *(Continued)*

(c) During the year ended 31 December 2020, the Group has obtained several tranches of borrowings amounted to RMB2,361,510,000 from Yingkou Coastal Bank Co., Ltd. ("Yingkou Coastal Bank").

(d) In respect of a bank borrowing with an outstanding principal amount of approximately RMB153,000,000 (2020: nil) as at 31 December 2019, the Group breached the repayment terms of which approximately RMB155,782,000 was in default since May 2019. On 2 July 2019, Ningbo Bank Company Limited Wuxi Branch* ("Ningbo Bank") filed a claim to Jiangsu Wuxi Intermediate People's Court* ("Jiangsu Court") against Jiangyin Properties and another subsidiary of the Company (the "Subsidiaries") to demand for the repayment of outstanding principal, accrued interest and penalty interest of approximately RMB155,782,000, RMB1,426,000 and RMB1,534,000 respectively. An order was granted by the Jiangsu Court to freeze and preserve certain bank balances or equivalents asset of RMB190,000,000 owned by the Subsidiaries (released on 17 July 2019 except for a restricted bank balance of approximately RMB54,513,000). The hearing for the claim was held on 20 August 2019 and a judgement was handed down by Jiangsu Court on 30 August 2019 in favour of Ningbo Bank. Jiangyin Properties had to repay the outstanding principal and interest 10 days from the judgement day and bear the legal fees of approximately RMB833,000. Jiangyin Properties then filed an appeal to Jiangsu Court against the judgement.

On 21 July 2019, Jiangyin Properties filed a claim to Jiangsu Court against Ningbo Bank in which it was alleged that the Ningbo Bank has made excessive preservation of assets held by the Subsidiaries exceeded the court order amount of RMB190,000,000, and causing economic losses for Jiangyin Properties. Jiangyin Properties requested Ningbo Bank for compensation of approximately RMB3,545,000. The hearing for the claim was held on 5 November 2019 and a judgement was handed down by Jiangsu Court on 2 January 2020 to reject the claim by Jiangyin Properties and Jiangyin Properties had to bear the legal fee of approximately RMB35,000. Jiangyin Properties then filed an appeal against the decision.

In November 2019 and December 2019, the Group partially settled principal and interest of approximately RMB2,782,000 and RMB4,490,000 respectively. At 31 December 2019, the entire outstanding bank borrowing of RMB153,000,000 was classified as current liabilities and outstanding interest and penalty interest of approximately RMB7,320,000 was included under other payables.

On 18 March 2020, a settlement agreement was entered into among the Subsidiaries, Ningbo Bank, shareholders of Jiangyin Properties and another guarantor of the bank borrowing regarding the subsequent settlement arrangement of the bank borrowing. Pursuant to the settlement agreement, Jiangyin Properties shall repay the outstanding principal and interest by 31 August 2020 with partial repayment of not less than RMB100 million and RMB15 million by 31 May 2020 and 30 June 2020 respectively.

During the year ended 31 December 2020, the entire outstanding principal and interest amounting to approximately RMB153,000,000 were fully repaid.

* English name for reference only

31. BORROWINGS *(Continued)*

(e) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000 (2019: RMB157,000,000) as at 31 December 2020, the Group breached the repayment terms of which approximately RMB182,682,000 was in default since November 2019. The relevant bank borrowing is an entrusted loan entrusted by Shanghai Linyi Investment Partnership (Limited Partnership)* ("Shanghai Linyi") made available to Baohua Properties (Jiangsu) Co., Ltd.* ("Baohua Jiangsu"), a 80% owned subsidiary of the Group. On 25 December 2019, Shanghai Linyi issued a legal letter to Baohua Jiangsu to demand for the outstanding principal, interest of approximately RMB182,682,000 and RMB3,040,000 respectively plus penalty interest at a daily rate of 0.1% since 9 November 2019. On 31 December 2019, Baohua Jiangsu made partial repayment of the principal of approximately RMB25,682,000.

On 7 January 2020, Shanghai Linyi further filed a claim to Shanghai Financial Court* against Baohua Jiangsu, Huajun Properties (Yangzhou) Co., Ltd.* (formerly known as Yangzhou Baohua Properties Limited*) (Huajun Properties Yangzhou), the Company and Mr. Meng for the outstanding principal of approximately RMB169,539,000 as at 31 December 2019 plus penalty interest at a daily rate of 0.1% since 31 December 2019. On 10 September 2020, Shanghai Financial Court handed down a judgement in favour of Shanghai Linyi and demanded immediate repayment from Baohua Jiangsu but concluded that the outstanding principal was RMB157,000,000 and unpaid interest of RMB3,040,000. Penalty interest shall be calculated at an annual rate of 24% since 9 November 2019. On 30 September 2020, Baohua Jiangsu filed an appeal to the Shanghai High Court against the interest rate determined by the Shanghai Finacial Court. Up to the date of these consolidated financial statements, the hearing date of the appeal is yet to be determined.

As at 31 December 2020, the entire outstanding bank borrowing of RMB157,000,000 (2019: RMB157,000,000) was classified as current liabilities and outstanding interest of RMB3,040,000 and provision for penalty interest of approximately RMB44,763,000 (2019: RMB12,539,000) based on an interest rate at 24% per annum were included under other payables.

(f) In respect of a borrowing with an outstanding principal of RMB1,440,000,000 (2019: RMB1,440,000,000) as at 31 December 2020, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co.,Ltd. – Shanghai Branch ("China Great Wall") to Baohua Properties Development (Shanghai) Co., Ltd* (formerly known as Shanghai Baohua Wanlong Real Estate Co., Ltd.) ("Baohua Shanghai"), a wholly-owned subsidiary of the Company. The borrowing was secured bv the shares of Baohua Properties (Dalian) Co., Ltd. ("Baohua Real Estate Dalian") and guaranteed by the Company, Huajun Holdings Group Co., Ltd. (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the "Guarantors"). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 28 April 2020, China Great Wall expressed an intention to extend the repayment date of the principals of RMB240,000,000, RMB240,000,000 and RMB960,000,000 from March 2020, June 2020 and September 2020 respectively to March 2022, June 2022 and September 2022 respectively.

* English name for reference only

31. BORROWINGS *(Continued)*

(f) *(Continued)*

On 2 November 2020, the Group received a notice dated 30 October 2020 from the Shanghai Huangpu Notary Public Office ("Shanghai Notary Office") (the "Notice"), stating that the lender has applied for the issuance of execution certificate (the "Execution Certificate") to the Group due to the alleged failure of Baohua Shanghai to repay the loan within the specified period. According to the Notice, Baohua Shanghai has the right to object to the issuance of the Execution Certificate within five days after receiving the Notice. On 5 November 2020, Baohua Shanghai submitted an objection letter against the issuance of the Execution Certificate to Shanghai Notary Office. On 28 December 2020, Baohua Shanghai received a second notice dated 23 November 2020 from Shanghai Notary Office, which stated that Baohua Shanghai's objection against the issuance of the Execution Certificate was not accepted. Baohua Shanghai received further notices from Shanghai Notary Office dated 25 December 2020 and 8 January 2021 respectively in respect of amendments to the computation of compound interest, penalty interest and damages from the default of borrowings. On 11 January 2021, the Execution Certificate was issued by Shanghai Notary Office, pursuant to which China Great Wall can use the Execution Certificate for application to the relevant courts of the PRC for enforcement. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 5 February 2021, the Shanghai Financial Court issued a notice of execution against Baohua Shanghai, pursuant to which Baohua Shanghai was ordered to pay the outstanding balance of the borrowing plus interest to China Great Wall. On the same date, the Shanghai Financial Court also issued an asset report order against Baohua Shanghai, Baohua Real Estate Dalian and the Guarantors pursuant to which the Guarantors are required to report their assets and relevant financial information to the court.

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law, and is waiting for the court to decide whether to terminate the enforcement. The Company is currently seeking legal advice on the enforcement. As at 31 December 2020, the entire outstanding borrowing of RMB1,440,000,000 (2019: RMB1,440,000,000) was classified as current liabilities and outstanding interest, penalty interest, compound interest and damages of approximately RMB209,581,000 (2019: nil) were included under other payables.

31. BORROWINGS *(Continued)*

(g) In respect of a borrowing with an outstanding principal of RMB32,000,000 (2019: RMB32,000,000), the Group breached the repayment terms of which the entire loan principal of RMB32,000,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd ("Zheshang Bank") to Shenzhen Huajun Financial Leasing Co., Ltd* ("Shenzhen Huajun Financial Leasing"), a 70% owned subsidiary of the Company.

On 10 July 2020, Zheshang Bank filed a claim to Shenzhen Futian District People's Court* against Shenzhen Huajun Financial Leasing for the outstanding principal of RMB32,000,000 plus unpaid interest (including penalty interest and additional interest) of approximately RMB332,000. The hearing of the claim was held on 16 September 2020. On 3 December 2020, Shenzhen Futian District People's Court handed down a judgement to demand Shenzhen Huajun Financial Leasing to repay the outstanding principal and interest (including penalty interest and compound interest) of approximately RMB32,000,000 and RMB1,320,000 accumulated up to 19 November 2020. Thereafter, penalty interest and compound interest shall be calculated at 8.34% per annum. On 30 December 2020, Shenzhen Huajun Financial Leasing filed an appeal to the Guangdong, Shenzhen Intermediate People's Court against the interest rate determined by the Shenzhen Futian Distrct People's Court.

As at 31 December 2020, the entire outstanding bank borrowing of RMB32,000,000 (2019: RMB32,000,000) was classified as current liabilities and outstanding interest of approximately RMB108,000 and penalty interest and compound interest of approximately RMB1,952,000 based on the judgement rate at 8.34% per annum (2019: nil) were included under other payables.

(h) In respect of a borrowing with an outstanding principal of RMB199,659,000 (2019: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The loan was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.* ("Jiangnan Rural Bank") to Huajun Properties (Changzhou) Company Limited* ("Huajun Changzhou"), a wholly-owned subsidiary of the Company.

In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court* against Huajun Changzhou. The first hearing for claims are scheduled to be held on 22 December 2021 and on 10 January 2022.

As at 31 December 2020, the entire outstanding bank borrowing of approximately RMB199,659,000 (2019: RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB8,194,000 (2019: nil) were included under other payables.

* English name for reference only

31. BORROWINGS *(Continued)*

(i) In respect of a borrowing with an outstanding principal of RMB4,247,000,000 (2019: RMB4,247,000,000), there were interest payments of RMB193,191,000 and RMB192,141,000 due on 22 June 2020 and 23 December 2020 respectively where the Group has not settled. The loan was granted by a financial institution in the PRC to Huajun Properties (Wuxi) Co., Ltd.* ("Huajun Wuxi"), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB4,247,000,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding principal of RMB4,247,000,000 (2019: RMB4,247,000,000) was classified as current liabilities and outstanding interest of approximately RMB385,332,000 (2019: nil) and penalty interest of approximately RMB14,353,000 (2019: nil) based on contractual terms was included under other payables. The Group is currently negotiating with the lender for extension of repayment of such outstanding amount and no legal claims have been issued by the lender.

(j) In respect of a borrowing with an outstanding principal of RMB300,000,000 (2019: nil), which was due on 17 December 2020, the Group has not repaid the entire outstanding principal. The loan was granted by Yingkou Coastal Bank Co., Ltd. ("Yingkou Coastal Bank") to Huajun Properties (Dalian) Company Limited ("Huajun Properties (Dalian)"), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB300,000,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding bank borrowing of RMB300,000,000 was classified as current liabilities and outstanding interest of RMB4,650,000 (2019: nil) and penalty interest of RMB1,050,000 (2019: nil) based on contractual terms was included under other payables. The Group is currently negotiating with Yingkou Coastal Bank for refinancing arrangement of such borrowings and no legal claims have been issued by Yingkou Coastal Bank.

(k) Subsequent to the end of the reporting period, the Group has several tranches of borrowings from Yingkou Coastal Bank of which an aggregate loan principals of RMB1,026,310,000 are due in March 2021. Pursuant to the terms of the loan agreements, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principals of RMB1,026,310,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding bank borrowings of RMB1,026,310,000 was classified as current liabilities. The Group is currently negotiating with Yingkou Coastal Bank for refinancing arrangement of such borrowings and no legal claims have been issued by Yingkou Coastal Bank.

Subsequent to the end of the reporting period, the Group has obtained a letter of intent for new banking facilities of approximately RMB2,658.8 million issued by Yingkou Coastal Bank. The Group is expected to utilise such banking facilities to refinance the loan principal of RMB300,000,000 as disclosed in note 31(j) and the borrowings due in March 2021.

* English name for reference only

32. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Sales of		
– properties (note a)	**1,360,579**	1,364,264
– petrochemical and other related products (note b)	**130,125**	148,871
– others	**–**	421
	1,490,704	1,513,556

Notes:

(a) All contract liabilities arise from the Group's property development business are within the Group's normal operating cycle. During the year, the Group has recognised revenue of RMB518,689,000 (31 December 2019: RMB446,424,000) that was included in the contract liabilities balance at the beginning of the period.

The Group receives 30% to 50% of the contract value as advances from customers when they sign the sale and purchase agreement for sale of properties, while the remaining portion of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks for applying mortgage loans. The amount is generally made by the bank before the delivery of property to the buyer. The advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In prior years, the Group considered the advance payment schemes contained significant financing component and accordingly the amount of consideration was adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. During the year ended 31 December 2020, taking into consideration the expected timing in delivery of completed units to customers and the insignificant difference between the amount of promised consideration and the cash selling price of completed units, the amount of consideration received during the year is not adjusted.

As at 31 December 2020 and 2019, the expected timing of recognising contract liabilities as revenue are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**1,360,579**	1,252,537
More than one year but not more than two years	**–**	111,727
	1,360,579	1,364,264

32. CONTRACT LIABILITIES *(Continued)*

Notes: *(Continued)*

(b) When the Group receives a deposit before the customer draws out the petrochemical and other related products from the Group's warehouse or storage location, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 10% to 20% deposit in advance for each sale order. During the year, the Group has recognised revenue from sales of petrochemical and other related products amounting to RMB148,871,000 (31 December 2019: RMB67,478,000) that was included in the contract liabilities balance at the beginning of the period. All contract liabilities attributable to sales of petrochemical and other related products as at 31 December 2020 and 2019 are expected to be recognised as revenue within one year.

33. CORPORATE BONDS

The corporate bonds are interest bearing at the rate of 5% to 6.5% (2019: 6% to 6.5%) per annum, payable annually in arrear and repayable as follow:

	2020	2019
	RMB'000	RMB'000
Within one year	**1,699**	3,612
More than one year but not more than two years	**12,156**	1,718
More than two years but not more than five years	**70,957**	3,516
More than five years	**–**	71,687
	84,812	80,533
Analysed for reporting purpose:		
– Current liabilities	**1,699**	3,612
– Non-current liabilities	**83,113**	76,921
	84,812	80,533

The effective interest rate of the corporate bonds for the year ended 31 December 2020 is ranged from 7.6% to 12.6% (31 December 2019: 9.1% to 12.6%) per annum.

All corporate bonds are denominated in HK$.

34. CONVERTIBLE BONDS

Details of the convertible bonds issued by the Group and outstanding as at 31 December 2020 and 2019 are as follows:

Date of issue	Principal amount	Bondholder	Coupon rate	Maturity date	Conversion price	Maximum number of shares of the Company to be converted
28 June 2019	HK$205,200,000 (2019: HK$205,200,000)*#	HGL	1.50%	27 June 2024	HK$38	5,400,000
27 June 2019	HK$1,000,000,000 (2019: HK$1,000,000,000)*#	HGL	1.50%	26 June 2024	HK$38	26,315,789
24 January 2018	HK$76,000,000 (2019: HK$76,000,000)*#	Pu Shi International Investment Limited	10.00%	23 January 2021	HK$34	1,941,176
24 January 2018	HK$130,000,000 (2019: HK$130,000,000)*#	Wonderland International Financial Holdings Limited	10.00%	23 January 2021	HK$34	3,823,529
24 January 2018	HK$12,000,000 (2019: HK$12,000,000) (Note)*#	Wisebrain Holdings Limited	10.00%	23 January 2021	HK$34	352,941

* Outstanding as at 31 December 2020.

\# Outstanding as at 31 December 2019.

Convertible bonds issued on 24 January 2018 ("2018 Convertible Bonds") entitle the holders to convert into ordinary shares of the Company at any time between the date of issue of the convertible bonds and the maturity date at the relevant conversion price (subject to anti-dilutive adjustments). The conversion shares will be allocated and issued upon exercise of the conversion rights. If the convertible bonds have not been converted during the conversion period up to the maturity date, the convertible bonds will be redeemed on the maturity date at par together with the accrued interest. Interests are being paid every six calendar months until the maturity date.

34. CONVERTIBLE BONDS *(Continued)*

The 2018 Convertible Bonds contain two components, liability component and conversion right with settlement option accounted for as an embedded derivative. The effective interest rate of the liability component of these convertible bonds is approximate 13.17% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

On 27 and 28 June 2019, the Company completed the issue of convertible bonds to CHG and Nanjing Huajun Real Estate Co. Ltd. ("Nanjing Huajun") with aggregate principal amounts of HK$1,000,000,000 (equivalent to approximately RMB877,192,000) and HK$205,200,000 (equivalent to approximately RMB180,000,000) respectively ("2019 Convertible Bonds"). On 28 June 2019, Nanjing Huajun has transferred the convertible bonds with principal amount of HK$205,200,000 to CHG. The convertible bonds entitle the holders to convert into ordinary shares of the Company at any time between the date of issue of the convertible bonds and the maturity date at the relevant conversion price (subject to anti-dilutive adjustments). The conversion shares will be allocated and issued upon exercise of the conversion rights. If the convertible bonds have not been converted during the conversion period up to the maturity date, the convertible bonds will be redeemed on the maturity date at par together with the accrued interest. Interests are being paid annually until the maturity date. The Company also has the right, at its option, to redeem the whole or any part of the outstanding principal amount of the 2019 Convertible Bonds held by such bondholder, as determined by the Company, by notice at a redemption price equal to the par value before the maturity date.

As at the dates of issue, the two tranches of 2019 Convertible Bonds were bifurcated into liability and equity components amounting to RMB515,574,000 and RMB541,618,000 respectively. The equity element is presented in equity under "Convertible bonds-equity conversion reserve" at initial recognition. The effective interest rate of the liability components of the two tranches of convertible bonds are 16.42% and 17.30% per annum respectively.

On 2 September 2020, after HGL became the immediate holding company of the Company, the two tranches of convertible bonds were transferred from CHG to HGL.

34. CONVERTIBLE BONDS *(Continued)*

The movements of the liability and derivative components of the convertible bonds for the current and prior year were set out in below:

	Liability component RMB'000	**Derivative component** RMB'000	**Total**
At 1 January 2019	227,498	17,134	244,632
Redemption of convertible bonds	(26,814)	–	(26,814)
Issued during the year	515,574	–	515,574
Transaction costs incurred	(536)	–	(536)
Interest charged	66,844	–	66,844
Interest paid	(20,754)	–	(20,754)
Change in fair value	–	(12,498)	(12,498)
Exchange realignment	15,161	306	15,467
At 31 December 2019 and 1 January 2020	776,973	4,942	781,915
Interest charged	125,986	–	125,986
Interest paid	(24,717)	–	(24,717)
Change in fair value	–	(4,697)	(4,697)
Exchange realignment	(72,078)	(212)	(72,290)
At 31 December 2020	806,164	33	806,197

	Liability component RMB'000	**Derivative component** RMB'000	**Total**
Amounts shown under current liabilities	193,935	33	193,968
Amounts shown under non-current liabilities	612,229	–	612,229
At 31 December 2020	806,164	33	806,197

For the year ended 31 December 2019, transactions costs totalling RMB536,000 (31 December 2020: nil) has been incurred for the issuance of convertible bonds.

34. CONVERTIBLE BONDS *(Continued)*

The fair value of conversion option derivatives are measured at Level 3 fair value measurement (as defined in note 43(c)).

	Fair value		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	2020 RMB'000	2019 RMB'000				
Conversion option derivatives	**33**	4,942	Level 3	Binomial model	Volatility of 60% (2019: 74%)	The higher the volatility, the higher the fair value

Subsequent to the end of the reporting period, convertible bonds with aggregate principal amount of HK$218,000,000 matured on 24 January 2018 have been redeemed by the Company.

35. DEFERRED CONSIDERATION

On 16 July 2018, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor") to acquire the entire equity interest of Huajun Properties (Liaoning) Co., Ltd (formerly known as Yingkou Economic Technology Development Zone Shangfang Real Estate Limited ("Shangfang")) at a consideration of RMB135,000,000, comprised of cash consideration of RMB40,000,000 plus non-cash consideration represented by certain specified property units to be developed at an equivalent value of RMB95,000,000 at the date of contract. As the property units will be transferred to the vendor upon its completion, the outstanding consideration has been recognised as a deferred consideration and measured based on the Directors' best estimation of the consideration required with reference to an independent professional valuation to settle the present obligation as at 31 December 2019.

On 9 October 2020, a supplemental agreement was entered into between the Group and the Vendor due to change in development plan, pursuant to which the remaining consideration was reduced from RMB95,000,000 to RMB51,020,000 based on the Directors' best estimates of the Consideration required to settle the present obligation as at 31 December 2020. The project is expected to complete in 2021 and therefore is deferred consideration is classified as a current liability as at 31 December 2020.

36. DEFERRED INCOME

As at 31 December 2020, the Group received government subsidy totalling RMB155,664,000 (31 December 2019: RMB103,491,000) towards the cost of construction of its automobile and solar photovoltaic production line. The amount has been treated as deferred income and will be recognised in profit or loss on the same basis as depreciation for the related plant and equipment upon the construction work has been completed.

36. DEFERRED INCOME *(Continued)*

As at 31 December 2020 and 2019, such government subsidy is not amortised because the related plant and equipment are still under construction.

37. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	(15,730)	(17,221)
Deferred tax liabilities	98,362	141,415
	82,632	124,194

The following are the major components of deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated (decelerated) tax depreciation RMB'000	Revaluation of properties RMB'000	Impairment and others RMB'000	Total RMB'000
At 1 January 2019	(4,283)	72,087	(2,237)	65,567
Exchange adjustments	(93)	–	51	(42)
(Credited) charged to profit or loss	(5,683)	57,436	(292)	51,461
Acquisition of subsidiaries (note 44(a))	7,208	–	–	7,208
At 31 December 2019 and 1 January 2020	(2,851)	129,523	(2,478)	124,194
Exchange adjustments	(261)	–	106	(155)
Charged (credited) to profit or loss	346	(43,178)	689	(42,143)
Disposal of subsidiaries (note 44(b))	736	–	–	736
At 31 December 2020	(2,030)	86,345	(1,683)	82,632

37. DEFERRED TAXATION *(Continued)*

At 31 December 2020, the Group does not recognise deferred tax assets in respect of tax losses of approximately RMB2,171,137,000 (31 December 2019: RMB1,310,995,000) as it was uncertain that future taxable profits against which the tax losses could be utilised would be available in the relevant tax jurisdiction. Tax losses of approximately RMB452,439,000 (31 December 2019: RMB371,602,000) do not expire under current tax legislation and approximately RMB1,718,698,000 (31 December 2019: RMB939,393,000) would expire within five years from the year of origination.

At 31 December 2020, the Group has deductible temporary differences of RMB525,044,000 (31 December 2019: RMB161,478,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2020, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to approximately RMB46,935,000 (31 December 2019: RMB556,488,000). Deferred tax liabilities of approximately RMB2,347,000 (31 December 2019: RMB27,825,000) representing the tax payable upon the distribution of such retained profits have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

38. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The Group has the following balances with immediate holding company:

The carrying amount of RMB16,655,000 as at 31 December 2019 represented amount due to CHG, the former immediate holding company of the Company with aggregate gross amount of RMB19,692,000. Following the completion of internal restructuring on 2 September 2020, the outstanding balance as at 2 September 2020 were transferred from CHG to HGL. The carrying amount of RMB35,089,000 as at 31 December 2020 represented amount due to the immediate holding company, HGL, with aggregate gross amount of RMB39,636,000. As at 31 December 2020 and 2019, the amounts are unsecured, non-interest bearing and agreed not to be repayable until 1 May 2022 (2019: not to be repayable until 31 May 2021). The Directors assessed the fair value of the fund advances, taken into account an effective interest rate of 9.6% (2019: 9.6%) per annum, and recognised an initial fair value adjustment of RMB6,585,000 (2019: RMB307,000) to the outstanding amount.

During the year ended 31 December 2019, the outstanding amount has been early repaid and the Group has reversed deemed contribution of RMB78,735,000 (31 December 2020: nil) recognised in prior years. In addition, a fair value adjustment of approximately RMB3,070,000 has been made in connection with the obligation under financing arrangement upon its reclassification to amount due to immediate holding company.

39. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	'000	**HK$'000**	HK$'000
Ordinary shares				
Authorised:				
Ordinary shares of HK$1.00 each				
At the beginning and end of the reporting period	**400,000**	400,000	**400,000**	400,000
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid:				
At the beginning of the reporting period	**61,543**	60,669	**55,983**	55,203
Issue of shares (note 44(a))	**–**	874	**–**	780
At the end of the reporting period	**61,543**	61,543	**55,983**	55,983

On 30 September 2019, the Company issued and allotted a total of 873,875 ordinary shares of the Company to the Vendor B, which defined in note 44(a), for acquisition of subsidiaries. Details of the acquisition are set in note 44(a). These shares rank pari passu in all respects with other shares in issue.

40. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (maximum of RMB1,282 per month for each employee) to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense of RMB14,337,000 (31 December 2019: RMB36,231,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 December 2020.

41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes trade and other payables and other liabilities, bill payables, lease liabilities, borrowings, amount due to immediate holding company, corporate bonds, convertible bonds and equity attributable to shareholders of the Company, comprising of share capital and reserves.

Gearing ratio

The Directors actively and regularly reviews the capital structure of the Group. The Directors consider the cost of capital and the risk associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2020 **RMB'000**	2019 RMB'000
Total assets	**16,992,532**	17,655,495
Total liabilities	**(15,876,405)**	(14,934,271)
Net assets	**1,116,127**	2,721,224
Total liabilities to assets ratio	**93.4%**	84.6%

42. SHARE-BASED PAYMENTS TRANSACTIONS

The Company adopted a new share option scheme (the "New Share Option Scheme") on 25 October 2017 in place of the previous share option scheme which had been adopted on 28 September 2007 (the "Old Share Option Scheme"). The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-executive Directors including Independent Non-executive Directors or any employees (whether full-time or part-time) of each member of the Group (the "Participants") and for such other purpose as the Board may approve from time to time.

Upon expiry of the Old Share Option Scheme on 28 September 2017, no further options will be granted thereunder, but in all other respects, subject to the provisions under Chapter 17 of the Listing Rules, the Old Share Option Scheme shall remain in full force and effect, and the options granted thereunder may continue to be exercisable in accordance with the terms of issue thereof.

42. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

At 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,873,806 (31 December 2019: 2,421,906) representing 3.0% (31 December 2019: 3.9%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$100 per option granted. There is no minimum period for which a share option must be held before the share option being exercised unless otherwise determined by the Board of Directors. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Company proposed to put forward a proposal to effect the consolidation of every one hundred issued and unissued existing ordinary share of par value of HK$0.01 each in the share capital of the Company into one ordinary share of par value of HK$1.00 each in the share capital of the Company (the "Share Consolidation") on 5 December 2017.

The Company completed the Share Consolidation on 5 March 2018. The disclosure of the number of options outstanding and exercise price of the options have been adjusted retrospectively at the date of grant.

Details of specific categories of options are as follows:

Grantee	Number of option at 31 December 2020	Date of grant	Vesting conditions	Exercisable period	Exercise price
Employees	548,100	7 February 2017	Nil	7 February 2017 to 6 February 2027	HK$78
Directors	938,355	7 February 2017	Nil	7 February 2017 to 6 February 2027	HK$78
Executive*	387,351	16 March 2017	Nil	16 March 2017 to 6 February 2027	HK$78

42. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The executive option was solely granted to Mr. Meng, the chairman of the Board of Directors and an executive director of the Company.

The movement of share options to the executive directors and employees under the Scheme during the current and prior years are presented as follows:

For the year ended 31 December 2020

	Number of share options					
Grantee	**Outstanding at 1 January 2020**	**Reclassification**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2020**
Directors & Executive	**1,325,706**	**548,100**	**–**	**–**	**(548,100)**	**1,325,706**
Employees	**1,096,200**	**(548,100)**	**–**	**–**	**–**	**548,100**
	2,421,906	**–**	**–**	**–**	**(548,100)**	**1,873,806**

For the year ended 31 December 2019

	Number of share options					
Grantee	Outstanding at 1 January 2019	Reclassification	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2019
Directors & Executive	1,325,706	–	–	–	–	1,325,706
Employees	1,377,426	–	–	–	(281,226)	1,096,200
	2,703,132	–	–	–	(281,226)	2,421,906

42. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2020		2019	
	Weighted average exercise price RMB'000	**Number of share options RMB'000**	Weighted average exercise price RMB'000	Number of share options RMB'000
Outstanding at the beginning of the reporting period	**78**	**2,421,906**	78	2,703,132
Lapsed during the year (note)	**78**	**(548,100)**	78	(281,226)
Outstanding at the end of the reporting period	**78**	**1,873,806**	78	2,421,906
Exercisable at the end of the reporting period	**78**	**1,873,806**	78	2,421,906

Note: The relevant grant date fair value of share options lapsed amounting to RMB7,678,000 (31 December 2019: RMB4,740,000) have been transferred from share-based payment reserve to accumulated losses upon the share options lapsed.

The options outstanding at 31 December 2020 had an weighted average exercise price of HK$78 (31 December 2019: HK$78) and a weighted average remaining contractual life of 6.1 years (31 December 2019: 7.1 years).

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at FVTPL	**39,533**	49,703
Debt instruments at FVTOCI	**3,282**	26,762
Financial assets at amortised cost	**1,245,491**	1,099,989
	1,288,306	1,176,454
Financial liabilities		
Financial liabilities at amortised cost	**13,796,065**	12,812,241
Lease liabilities	**22,255**	45,493
	13,818,320	12,857,734
Derivatives		
Convertible option derivatives	**33**	4,942

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, debt instruments at FVTOCI, loan and interest receivables, trade and other receivables, pledged bank deposits, restricted bank balance, bank balances and cash, trade and other payables, bill payables, amount due to immediate holding company, borrowings, lease liabilities, corporate bonds and convertible bonds. Details of these financial instruments are disclosed in respective notes in the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Currency risk

The Group is exposed to foreign currency risk on loan receivables, listed bond investment, held for trading investments, bank balances and cash, pledged bank deposits, trade and other receivables, trade and other payables and bill payables that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD" or "US$"), Euros ("EUR") and RMB. The functional currency of the group entities to which such risks relate is HK$.

Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies					
	2020			2019		
	RMB	**EUR**	**USD**	RMB	EUR	USD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Debt instruments at FVTOCI	**–**	**–**	**3,282**	–	–	26,762
Financial assets at FVTPL	**–**	**–**	**32,767**	–	–	39,697
Bank balances and cash	**25,136**	**370**	**60,753**	37,254	1,829	29,659
Pledged bank deposits	**–**	**–**	**–**	–	–	6,796
Trade and other receivables	**4,750**	**298**	**14,732**	10,320	324	22,225
Prepayment and deposits	**2**	**53**	**24,753**	21	32	14,192
Trade and other payables	**(6)**	**(10)**	**(2,813)**	(30)	(16)	(1,131)

Sensitivity analysis

At 31 December 2020, it is estimated that a general appreciation/depreciation of 5% (31 December 2019: 5%) in the exchange rate of EUR and RMB against HK$, assuming all other risk variables remained constant, would have decreased/increased the Group's loss for the year of RMB1,455,000 for RMB and RMB33,000 for EUR (31 December 2019: loss for the year of RMB2,293,000 for RMB and RMB106,000 for EUR). No sensitivity analysis is presented for foreign currency fluctuation between US$ against HK$ because Hong Kong dollars is pegged to US$ and assumed that the rate would not be materially affected by any changes in movement in value of the HK$ against other currencies.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to listed and unlisted bond investments, loan receivables, pledged bank deposits, restricted bank balance, bank balances, corporate bonds, convertible bonds (liability component), borrowings and lease liabilities. The Group currently does not have any instruments to hedge against the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk arising primarily from interest bearing borrowings and bank balances at variable rate at the end of the reporting period. The Group's interest rate profile is monitored by management. As at 31 December 2020 and 2019, variable interest rate profile includes bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on RMB benchmark interest rate arising from the Group's RMB denominated borrowings.

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 (31 December 2019: 100) basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss for the year by approximately RMB240,000 (31 December 2019: loss for the year by approximately RMB240,000).

Credit risk and impairment provision

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables were secured over certain collaterals of the borrowers.

Debt instruments at FVTOCI

The Group makes investment decision by balancing the risk and return of the investment portfolio. The Directors consider that the credit risk exposure to the Group is limited as the gross investment amount in debt securities is not significant.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by large customer. Limits and scoring attributed to large customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivable balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other receivables

The Group has applied ECL model on other receivables in which the impairment assessment for those receivables with gross carrying amount of approximately RMB426,470,000 (31 December 2019: RMB135,800,000) where there has not been a significant change in credit risk are based on 12-month ECL. For the remaining amount of RMB351,772,000 (2019: RMB74,378,000), where there has been a significant change in credit risk as the balances have been long outstanding and that the Group is undergoing litigation process against the counterparties, they are assessed based on lifetime ECL.

Loan and interest receivables, pledged bank deposits, restricted bank balance, and bank balances

The Group performs impairment assessment under ECL model on pledged bank deposits, restricted bank balance, and bank balances based on 12-month ECL as there has not been significantly increase in credit risk.

In determining the ECL for loan and interest receivables, the Directors have taken into account the long age of the receivable and the financial position of the counterparty. During the year ended 31 December 2020, the business of the counterparty was severely affected by the COVID-19 pandemic and the credit quality of the collaterals deteriorated. The Directors have decided to make a full provision on the carrying amount of loan and interest receivables.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

Loan and interest receivables, pledged bank deposits, restricted bank balance, and bank balances (Continued)

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international or national credit-rating agencies.

Based on the Group's internal credit assessment, no material impairment loss allowance is recognised for restricted bank balances, pledged bank deposits and bank balances.

Financial guarantee contract

For financial guarantee contract, the maximum amount that the Group has guaranteed under the relevant contract was RMB453,498,000 as at 31 December 2019 (31 December 2020: nil). As at 31 December 2019, the credit risks on financial guarantee contract were considered to be minimal given the financial position of the counterparty.

The Group is exposed to concentration of credit risk on:

- Loan receivables which are provided to an individual third party;
- Liquid funds which are deposited with several banks with high credit rating; and
- Other receivables from several counterparties relating to deposits paid for acquisition of property project and prepaid procurement fee, acquisition of additional interest in a subsidiary as well as consideration receivable from disposal of subsidiaries in 2020.

The Group's concentration of credit risk by geographical locations is in the PRC which accounted for 91% (31 December 2019: 89%) of the total trade receivables as at 31 December 2020.

Other than above, the Group does not have any other significant concentration of credit risk.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The table below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2020 RMB'000	Gross carrying amounts 2019 RMB'000
Debt instruments at FVTOCI						
Listed bond investments	22	B2 – B+	N/A	12-month ECL	**3,282**	19,482
Unlisted bond investments	22	B2 – B+	N/A	12-month ECL	**–**	7,280
Financial assets at amortised cost						
Trade receivables	26	N/A	(Note ii)	Lifetime ECL (provision matrix)	**186,700**	191,952
			Low risk	Lifetime ECL (individually assess, not credit-impaired)	**75,537**	38,948
			High risk	Lifetime ECL (individually assess, not credit impaired)	**3,811**	48,092
			Doubtful	Lifetime ECL (credit impaired)	**45,579**	13,296
Loan receivables and interest receivable	27	N/A	Low risk	12-month ECL	**–**	15,004
			Doubtful	Lifetime ECL (credit-impaired)	**11,525**	–
Other receivables	26	N/A	Low risk	12-month ECL	**426,470**	135,800
			High risk	Lifetime ECL (not credit-impaired)	**340,000**	74,738
			Doubtful	Lifetime ECL (credit impaired)	**11,772**	–
Restricted bank balances	28	AAA	N/A	12-month ECL	**46,878**	69,109
Pledged bank deposits	28	Baa2 – A1	N/A	12-month ECL	**46,946**	313,265
Bank balances and cash	28	Baa2 – A1	N/A	12-month ECL	**219,083**	270,836
Other item						
Financial guarantee contracts (Note i)		N/A	High risk	Lifetime ECL	**–**	453,498

Notes:

(i) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. All contracts were expired during the year.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' ageing to measure ECL allowance for its customers which grouped by different segment in relation to its operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit impaired). Trade receivables with significant outstanding balances and with gross carrying amounts of RMB124,927,000 (31 December 2019: RMB100,336,000) as at 31 December 2020 were assessed individually. As part of these debtors, gross amounts of RMB75,537,000 (31 December 2019: RMB38,948,000) with significant balances are due from entities with long business history with the Group and without recent default history, they are all classified as low risk. For the remaining debtors with gross amounts of RMB3,811,000 (2019: RMB48,092,000) and RMB45,579,000 (2019: RMB13,296,000) are classified as either high risk or doubtful respectively as the credit quality has deteriorated and certain of them are credit-impaired.

Gross carrying amount of trade receivables assessed using provision matrix:

As at 31 December 2020

	Average loss rate RMB'000	Gross trade receivables RMB'000	ECL RMB'000	Net trade receivables RMB'000
Current (not past due)	2%	165,899	3,469	162,430
1-30 days past due	1%	2,275	17	2,258
31-90 days past due	28%	12,285	3,501	8,784
91-180 days past due	63%	6,241	3,901	2,340
		186,700	10,888	175,812

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

As at 31 December 2019

	Average loss rate	Gross trade receivables RMB'000	ECL RMB'000	Net trade receivables RMB'000
	RMB'000			
Current (not past due)	3%	71,940	2,158	69,782
1-30 days past due	5%	71,150	3,203	67,947
31-90 days past due	8%	36,198	2,924	33,274
91-180 days past due	11%	12,664	1,431	11,233
		191,952	9,716	182,236

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

As at 31 December 2020, the Group provided approximately RMB10,888,000 (31 December 2019: RMB9,716,000) of impairment loss for trade receivables, based on the provision matrix. Impairment loss of approximately RMB7,020,000 (31 December 2019: RMB26,577,000) and RMB45,579,000 (31 December 2019: RMB13,296,000) were provided on individually assessed and credit-impaired receivables respectively.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The following table shows the movement in the allowance for impairment of trade receivables.

	Total RMB'000
As at 1 January 2019	22,459
Impairment losses recognised during the year	
– impairment losses recognised	27,042
Exchange adjustments	88
As at 31 December 2019 and 1 January 2020	**49,589**
Impairment losses recognised during the current year	
– impairment losses recognised	**13,898**
As at 31 December 2020	**63,487**

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The following table shows the movement in lifetime ECL and 12-month ECL that have been recognised for other receivables.

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	1,309	8,441	–	9,750
Impairment losses recognised during the year	3,573	8,139	–	11,712
As at 31 December 2019 and 1 January 2020	**4,882**	**16,580**	**–**	**21,462**
Reclassification	**–**	**(235)**	**235**	**–**
Impairment losses recognised during the year	**5,744**	**57,577**	**11,537**	**74,858**
Amounts written off as uncollectible	**–**	**(2,522)**	**–**	**(2,522)**
As at 31 December 2020	**10,626**	**71,400**	**11,772**	**93,798**

The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

The following table shows the movement in lifetime ECL that have been recognised for loan and interest receivables.

	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019, 31 December 2019 and 1 January 2020	–	–
Impairment losses recognised during the year		
– impairment losses recognised	11,525	11,525
As at 31 December 2020	11,525	11,525

The Group considers the financial difficulty, operational status of the counterparty and value of collateral in determining the expected loss rate.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities at FVTPL, listed fund investments and listed bond investments. The management manages this exposure by maintaining a portfolio of investments with different risks. Majority of the Group's equity investments are listed on the Stock Exchange and are valued at quoted market prices as at the reporting date. Majority of the Group's bond investments are listed on various bond markets and are valued at quoted market prices as at the reporting date.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 1% (31 December 2019: 1%) higher/lower:

- the Group's loss after tax for the year ended 31 December 2020 would have decreased/increased by RMB395,000 (31 December 2019: decreased/increased by RMB497,000) as a result of the changes in fair value of held for trading investments; and

- investment valuation reserve would have increased/decreased by RMB33,000 (31 December 2019: RMB268,000) for the Group as a result of the changes in fair value of listed bond investments.

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk primarily by obtaining funding from immediate holding company and Yingkou Coastal Bank and other measures as set out in note 2.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

At 31 December 2020

	Contractual undiscounted cash outflow				
	On demand or within 1 year RMB'000	1 – 2 year RMB'000	2 – 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount as at 31.12.2020 RMB'000
Trade and others payables	2,231,979	–	–	2,231,979	2,231,979
Bill payables	428,073	–	–	428,073	428,073
Amount due to immediate holding company	39,636	–	–	39,636	35,089
Corporate bonds	10,108	19,536	87,042	116,686	84,812
Convertible bonds – liability component	211,098	15,451	1,053,220	1,279,769	806,164
Borrowings	9,695,104	1,152,918	–	10,848,022	10,209,948
Lease liabilities	14,971	9,690	–	24,661	22,255
Total	12,630,969	1,197,595	1,140,262	14,968,826	13,818,320

43. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity risk tables (Continued)

At 31 December 2019

	Contractual undiscounted cash outflow					
	On demand or within 1 year RMB'000	1 – 2 year RMB'000	2 – 5 years RMB'000	> 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount as at 31.12.2019 RMB'000
Trade and others payables	1,035,694	–	–	–	1,035,694	1,035,694
Bill payables	729,969	–	–	–	729,969	729,969
Amount due to immediate holding company	16,962	–	–	–	16,962	16,655
Corporate bonds	8,495	11,228	13,030	83,438	116,191	80,533
Convertible bonds – liability component	35,605	252,323	1,099,539	–	1,387,467	776,973
Borrowings	5,018,879	5,365,107	1,153,832	–	11,537,818	10,172,417
Lease liabilities	34,747	10,798	4,857	–	50,402	45,493
Financial guarantee contracts	453,498	–	–	–	453,498	–
Total	7,333,849	5,639,456	2,271,258	83,438	15,328,001	12,857,734

c. Fair value measurements

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

43. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value measurements *(Continued)*

Details of the recurring fair value measurement of the relevant assets are set out in note 22 of these consolidated financial statements. During the current and prior years, these were no transfers between Level 1 and Level 2, nor transfers into Level 3.

Except for convertible bonds – liabilities component which have a fair value of RMB896,891,000 (31 December 2019: RMB766,390,000), the Directors consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of the reporting period, determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the current and prior years, the Group continued to actively seek for investment opportunities through acquisitions and has completed several acquisitions of subsidiaries. Meanwhile, the Group also disposed of several subsidiaries to concentrate on its core businesses and realise the Group's property assets through disposal of subsidiaries. The following tables summarised these transactions:

(a) Acquisitions

For the year ended 31 December 2020

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
Baohua Properties (Shenyang) Limited ("Shenyang Properties")*	Shenyang Baotongda Property Management Co., Ltd.	99.99%	Property management services	RMB500,000	17 July 2020	Business combination
	Mr. Meng Xiangyong	0.01%				
Huajun Properties Management (Dalian) Limited ("Dalian Properties")*	Xingbang Investment Consulting (Shenzhen) Co., Ltd	100%	Property management services	RMB1	31 July 2020	Business combination

* English name for reference only

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2020 *(Continued)*

On 3 July 2020, the Group entered into a sales and purchase agreement with independent third parties to acquire the entire equity interest in Shenyang Properties and Dalian Properties at a cash consideration of RMB500,000 and RMB1 respectively. Both acquisitions have been accounted for using the acquisition method. Shenyang Properties and Dalian Properties were acquired so as to provide property management services. The acquisition was completed on 17 July 2020 and 31 July 2020 respectively.

The consideration transferred for the acquisition of Shenyang Properties is satisfied by:

	Shenyang Properties RMB'000	Dalian Properties RMB'000	Total RMB'000
Cash consideration	500	–	500

Fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Shenyang Properties RMB'000	Dalian Properties RMB'000	Total RMB'000
Property, plant and equipment	10	2	12
Inventories	9	–	9
Trade and other receivables	6,754	2,463	9,217
Bank balances and cash	1,719	856	2,575
Other payables	(7,992)	(3,321)	(11,313)
Net identifiable assets acquired	500	–	500

	Shenyang Properties RMB'000	Dalian Properties RMB'000	Total RMB'000
Cash consideration paid	(500)	–	(500)
Less: bank balances and cash acquired	1,719	856	2,575
Net cash inflow arising from acquisition	1,219	856	2,075

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2020 (Continued)

No material acquisition-related costs have been incurred from both acquisitions.

The fair value of trade and other receivables at the date of acquisition of Shenyang Properties and Dalian Properties amounted to RMB6,754,000 and RMB2,463,000 respectively. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,754,000 and RMB2,463,000 respectively at the date of acquisition. There is no contractual cash flows that are not expected to be collected at acquisition date.

Included in the loss for the year is profit of approximately RMB1,856,000 and loss of approximately RMB175,000 attributable to the additional business generated by Shenyang Properties and Dalian Properties respectively. Revenue for the year includes approximately RMB8,242,000 and RMB1,542,000 generated from Shenyang Properties and Dalian Properties respectively.

Had both acquisitions been completed on 1 January 2020, total revenue of the Group for the year would have been approximately RMB3,521,328,000, and loss for the year would have been approximately RMB1,631,853,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

For the year ended 31 December 2019

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
Huaren Real Estate (Huai'an) Co., Ltd. (Fomerly known as Baohua Properties (Huai'an) Limited)# ("Huaren Huai'an")	An entity controlled by Mr. Meng	100%	Property development	RMB180,000,000	28 June 2019	Acquisition of assets through acquisition of a subsidiary
Huajun Automobile*	Hengda Real Estate Group (Nanjing) Property Company Limited	51%	Inactive	RMB1	21 May 2019	Acquisition of assets through acquisition of a subsidiary
Dalian Hydraulic Machinery Co., Limited ("Dalian Hydraulic")	An entity controlled by Mr. Meng	77.47%	Manufacture and maintenance of hydraulic machinery and electrical engineering construction	RMB36,000,000	30 September 2019	Acquisition of business
	An independent third party	22.53%				

\# In view that the construction of the property development of the subsidiary is substantially completed and it did not include all the inputs and associated processes necessary to manage and produce outputs, the acquisition is accounted for as an acquisition of assets.

* The entity has not yet commenced any business activities and therefore it does not constitute a business combination.

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Assets acquired and liabilities in acquisition of assets through acquisition of subsidiaries assumed at the date of acquisition.

	Huaren Huai'an RMB'000	Huajun Automobile RMB'000	Total RMB'000
Property, plant and equipment	65	–	65
Properties held for sale	240,368	–	240,368
Deposits and other receivables	40,075	12,320	52,395
Bank balances and cash	8,789	64	8,853
Amounts due to fellow subsidiaries	(160,000)	–	(160,000)
Trade and other payables	(109,297)	(6,500)	(115,797)
	20,000	5,884	25,884
Interests of joint venture	–	(5,884)	(5,884)
Assignment of debt	160,000	–	160,000
	180,000	–	180,000

Fair value of consideration transferred in acquisition of assets through acquisition of subsidiaries

	Huaren Huai'an RMB'000	Huajun Automobile RMB'000	Total RMB'000
Issue of convertible bonds	180,000	–	180,000

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2019 (Continued)

Net cash inflow on acquisition of assets through acquisition of subsidiaries for the year ended 31 December 2019

	Huaren Huai'an RMB'000	Huajun Automobile RMB'000	Total RMB'000
Cash consideration paid	–	–	–
Less: Bank balances and cash acquired	8,789	64	8,853
	8,789	64	8,853

Acquisition of Dailian Hydraulic

On 6 December 2018, Huajun Industrial Park Management (China) Limited, an indirect wholly owned subsidiary of the Company, entered into the subscription agreement with Liaoning Huajun Equipment Manufacturing Co., Limited (the "Vendor A"), a company ultimately wholly owned by Mr. Meng and his spouse, and Mr. Cong Liming (the "Vendor B"), an independent third party, for acquisition of 77.47% and 22.53% of the entire issued share capital respectively in Dalian Hydraulic for a cash consideration of RMB27,889,000 to the Vendor A and 873,875 new shares issued by the Company to the Vendor B. This acquisition has been accounted for using the acquisition method. Dalian Hydraulic was acquired so as to develop the Group's hydraulic business. The acquisition was completed on 30 September 2019.

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Acquisition of Dailian Hydraulic (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	163,327
Right-of-use assets	174,369
Inventories	25,640
Deposits and other receivables	398,979
Bank balances and cash	9,410
Trade and other payables	(286,522)
Bill payables	(307,600)
Tax payables	(904)
Borrowings	(109,500)
Deferred tax liabilities	(7,208)
	59,991
Cash consideration paid	27,889
Issuance of shares	6,398
	34,287
Consideration transferred	34,287
Less: net assets acquired	(59,991)
	(25,704)
Deemed contribution from controlling shareholder	19,913
Gain on bargain purchase recognised in other gain and losses	(5,791)

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Acquisition of Dailian Hydraulic (Continued)

Net cash outflow on acquisition of Dalian Hydraulic

	RMB'000
Cash consideration paid	(27,889)
Add: Bank balances and cash acquired	9,410
	(18,479)

Acquisition-related costs amounting to RMB433,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The fair value of trade and other receivables at the date of acquisition amounted to RMB398,979,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB398,979,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB nil.

Included in the loss for the year is RMB335,000 attributable to the additional business generated by Dailian Hydraulic. Revenue for the year includes RMB20,933,000 generated from Dailian Hydraulic.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year would have been RMB3,759,283,000, and loss for the year would have been RMB637,961,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Dailian Hydraulic been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals

For the year ended 31 December 2020

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of proceeds	Principal activity	Disposal proceeds	Date of completion
Huaren Huai'an	An independent third party	100%	Property development	RMB252,110,000	27 March 2020
Huajun Automobile (Jiangsu) Co., Ltd. ("Jiangsu Automobile")	An independent third party	100%	Manufacturing of automobile	RMB17,697,000	10 April 2020
Hunan NIP Technology Co., Ltd. ("Hunan NIP")	An independent third party	100%	Production and distribution of paper products	RMB25,799,000	24 July 2020
Huajun Intelligent Energy Company Limited ("Intelligent Energy")	An independent third party	100%	Power technology and new energy technology	RMB120,000,000	3 August 2020
Wuxi Huiyuan Real Estate Co., Ltd. ("Wuxi Huiyuan")	An independent third party	100%	Property development	RMB127,000,000	11 August 2020

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

For the year ended 31 December 2020 *(Continued)*

Analysis of assets and liabilities over which control was lost

	Huaren Huai'an RMB'000	Hunan NIP RMB'000	Intelligent Energy RMB'000	Wuxi Huiyuan RMB'000	Others RMB'000	Total RMB'000
Property, plant and equipment	60	12,146	100,550	–	2,038	114,794
Right-of-use assets	–	6,268	8,998	–	–	15,266
Investment properties	–	–	–	19,491	–	19,491
Properties held for sale	247,031	–	–	118,413	–	365,444
Inventories	–	–	–	–	25	25
Deferred tax assets	–	736	–	–	–	736
Trade and other receivables	2,423	5,962	29,365	8,930	12,486	59,166
Bank balances and cash	2,572	21	23	3,698	17	6,331
Trade and other payables	(896)	(11,500)	(172,838)	(125,953)	(1,803)	(312,990)
Contract liabilities	(16,006)	–	–	(17,002)	–	(33,008)
	235,184	13,633	(33,902)	7,577	12,763	235,255
Assignment of debts (Note)	–	11,348	154,074	119,590	–	285,012
	235,184	24,981	120,172	127,167	12,763	520,267

Note:

(i) The amounts represented debts owed to the Group by the disposed subsidiaries assigned to the buyers.

Gain on disposal of subsidiaries

	Huaren Huai'an RMB'000	Hunan NIP RMB'000	Intelligent Energy RMB'000	Wuxi Huiyuan RMB'000	Others RMB'000	Total RMB'000
Cash consideration	252,110	25,799	120,000	127,000	17,751	542,660
Less: net (assets) liabilities disposed of	(235,184)	(24,981)	(120,172)	(127,167)	(12,763)	(520,267)
Gain (loss) on disposal of subsidiaries	16,926	818	(172)	(167)	4,988	22,393

Net cash inflow (outflow) on disposal of subsidiaries

	Huaren Huai'an RMB'000	Hunan NIP RMB'000	Intelligent Energy RMB'000	Wuxi Huiyuan RMB'000	Others RMB'000	Total RMB'000
Cash consideration	252,110	25,799	120,000	127,000	17,751	542,660
Consideration receivable (note 26(b))	–	(25,799)	(90,000)	(127,000)	–	(242,799)
Less: bank balances and cash disposed	(2,572)	(21)	(23)	(3,698)	(17)	(6,331)
	249,538	(21)	29,977	(3,698)	17,734	293,530

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

For the year ended 31 December 2019

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of proceeds	Principal activity	Disposal proceeds	Date of completion
Huajun Technology (Yingkou) Company Limited ("Huajun Technology (Yingkou)")	An entity controlled by Mr. Meng	100%	Inactive	Nil	31 August 2019
Huajun Real Estate (Dalian) Company Limited ("Huajun Real Estate (Dalian)")	An entity controlled by Mr. Meng	100%	Inactive	RMB1	31 August 2019
Huajun Hotel (Gaizhou) Company Limited ("Huajun Hotel (Gaizhou)")	An independent third party	100%	Inactive	Nil	4 September 2019

Analysis of assets and liabilities over which control was lost

	Huajun Technology (Yingkou) RMB'000	Huajun Real Estate (Dalian) RMB'000	Huajun Hotel (Gaizhou) RMB'000	Total RMB'000
Property, plant and equipment	1,189	1	–	1,190
Deposits and other receivables	226	–	–	226
Amount due from immediate holding company (note)	–	451,473	–	451,473
Bank balances and cash	3	12	4	19
Other payables	(1,727)	–	(15)	(1,742)
Borrowings	–	(453,498)	–	(453,498)
	(309)	(2,012)	(11)	(2,332)

Note: The amount was unsecured, interest-free and had no fixed term of repayment.

44. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Gain on disposal of subsidiaries

	Huajun Technology (Yingkou) RMB'000	Huajun Real Estate (Dalian) RMB'000	Huajun Hotel (Gaizhou) RMB'000	Total RMB'000
Consideration	–	–	–	–
Less: net liabilities disposed of	309	2,012	11	2,332
	309	2,012	11	2,332
Deemed shareholder contribution	(309)	(2,012)	–	(2,321)
Gain on disposal of subsidiaries	–	–	11	11

Net cash outflow on disposal of subsidiaries

	Huajun Technology (Yingkou) RMB'000	Huajun Real Estate (Dalian) RMB'000	Huajun Hotel (Gaizhou) RMB'000	Total RMB'000
Cash consideration received at 31 December 2019	–	–	–	–
Less: Bank balances and cash disposal of	(3)	(12)	(4)	(19)
	(3)	(12)	(4)	(19)

45. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

For the year ended 31 December 2019

The Group was the major shareholder of an overseas fund. On 2 May 2019, a third-party investor, being the non-controlling shareholder of several series of a fund redeemed his entire interests in the fund at the redemption amount of approximately RMB8,946,000. As a result of the redemption, the Group then become the sole shareholder of the fund and RMB5,681,000 was adjusted out of non-controlling interests.

46. LEASES

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 20 years. Lease payments are usually increased every one to five to reflect market rentals. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**18,370**	16,539
After 1 year but within 2 years	**16,028**	15,360
After 2 years but within 3 years	**15,000**	14,819
After 3 years but within 4 years	**12,765**	13,874
After 4 years but within 5 years	**12,673**	12,568
After 5 years	**134,905**	146,858
	209,741	220,018

47. CAPITAL AND OTHER COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of the property development and investment projects contracted for but not provided in the consolidated financial statements	**1,758,572**	1,969,075
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**233,149**	450,596
	1,991,721	2,419,671

48. PLEDGE OF ASSETS

At the end of the reporting period, carrying values of Group's assets pledged to secure bill payables, borrowings, and lease liabilities of the Group are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	**707,670**	707,938
Right-of-use asset	**299,274**	290,041
Investment properties	**5,104,466**	4,783,450
Properties held for sale	**5,649,364**	5,507,010
Inventories	**10,036**	10,001
Pledged bank deposits	**46,946**	313,265
Restricted bank balances	**46,878**	69,109

In addition to above pledged assets, the Group also pledged certain subsidiaries' equity interest to secure bank borrowings of RMB457,000,000 (31 December 2019: RMB457,000,000) and borrowings from a financial institution of RMB1,440,000,000 (31 December 2019: RMB1,440,000,000) as at 31 December 2020.

49. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

The remuneration of Directors and other members of key management personnel during the year were as follows:

	2020 **RMB'000**	2019 RMB'000
Short-term benefits	**12,368**	16,152
Post-employment benefits	**81**	175
	12,449	16,327

(b) Transactions with companies controlled/significantly influenced by Mr. Meng

Other than as disclosed elsewhere in these consolidated financial statements, the transactions with companies controlled/significantly influenced by Mr. Meng for the years ended 31 December 2020 and 2019 are as follows:

(1) On 18 September 2018, Huajun Properties Group Limited (formely known as Baohua Properties (China) Limited*), an indirect wholly-owned subsidiary of the Company, as purchaser entered into the agreement with Nanjing Huajun Real Estate Co., Ltd.* ("Nanjing Huajun") as vendor, pursuant to which the Nanjing Huajun conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the entire equity interest and the debt in Huaren Real Estate (Huai'an) Co., Ltd* (formerly known as Baohua Properties (Huai'an) Limited ("Huaren Huai'an") at the consideration of RMB180,000,000, comprising of RMB20,000,000 being the consideration for the equity interest and RMB160,000,000 being the consideration for the debt in Huaren Huai'an. The acquisition has completed on 28 June 2019 and the convertible bonds in the amount of HK$205,200,000 were issued.

(2) On 26 October 2018, the Company entered into a conditional subscription agreement with CHG, pursuant to which the Company agreed to issue and CHG agreed to subscribe the convertible bond in the principal amount of HK$1,000,000,000 at the issue price of 100% of the principal amount of the convertible bond. On 27 June 2019, all conditions of the convertible bonds were fulfilled and the convertible bonds were issued to CHG.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with companies controlled/significantly influenced by Mr. Meng *(Continued)*

(3) On 6 December 2018, Huajun Industrial Park Management (China) Limited*, an indirect wholly owned subsidiary of the Company, entered into the agreement with Liaoning Huajun Equipment Manufacturing Co., Limited*, a company indirectly wholly owned by Mr Meng Guang Bao and his spouse and Mr. Cong Liming to purchase the entire equity interest in Dalian Hydraulic Machinery Co., Limited* at the consideration of RMB36,000,000 to be settled by cash and issue of 873,875 consideration shares of the Company. The acquisition has completed on 30 September 2019 and 873,875 consideration shares were issued to Mr Cong Liming.

Provision of credit facility

As at 31 December 2019, CHG provided an interest-free credit facility of RMB7,000,000,000 to the Group, of which RMB6,983,038,000 were unused by the Group. Following the completion of internal restructuring on 2 September 2020, HGL became the provider of the interest-free credit facility to the Group. As at 31 December 2020, the interest-free credit facility from HGL amounted to RMB7,000,000,000, of which RMB6,960,364,000 were unused by the Group.

(c) Transactions with Yingkou Coastal Bank

As at 31 December 2020, Mr. Meng owns 13.9% (31 December 2019: 13.9%) equity interest in Yingkou Coastal Bank and has been a director of the Yingkou Coastal Bank since 4 January 2018, bank balances deposited in and borrowings obtained from Yingkou Coastal Bank as at 31 December 2020 and 2019 constituted balances with related party.

Balances with Yingkou Coastal Bank

	2020 **RMB'000**	2019 RMB'000
Bank balances	**6,396**	28,862
Pledged bank deposits	**11,279**	312,189
Bill payables	**(343,000)**	(729,969)
Bank borrowings	**(3,621,190)**	(3,101,130)

* English name for reference only

49. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with Yingkou Coastal Bank *(Continued)*

Transactions with Yingkou Coastal Bank

	2020 RMB'000	2019 RMB'000
Interest income	**6,142**	4,297
Interest expense	**(276,302)**	(259,738)
Bank charges	**(266)**	(254)

Banking facilities provided by Yingkou Coastal Bank

As at 31 December 2020, Yingkou Coastal Bank has granted banking facilities of RMB4,821,290,000 (31 December 2019: RMB4,301,230,000) to the Group, excluding bills payables of RMB343,000,000 (2019: RMB729,969,000) utilised by the Group, nil (31 December 2019: RMB1,200,000,000) is unused by the Group.

Financial guarantees contracts entered in favour of Yingkou Coastal Bank

During the year ended 31 December 2019, the Group provided corporate guarantees of approximately RMB453,498,000 in favour of Yingkou Coastal Bank to secure two bank loans granted to Huajun Real Estate (Dailian), a former subsidiary before it was disposed on 31 August 2019. The corporate guarantees were not released after the disposal. The two bank loans under the banking facilities guaranteed by the Group have been repaid on 12 March 2020 and 1 April 2020 and accordingly, the guarantees have been expired.

(d) During the the year ended 31 December 2019, several business partners of Mr. Meng provided financing to the Group through entrusted loan arrangement with a financial institution. As at 31 December 2020, loans of RMB4,247,000,000 (2019: RMB4,247,000,000) were drawn down by the Group. The loans were secured by the Company's properties held for sale with carrying value of approximately RMB2,209,655,000 (2019: RMB1,654,057,000) as at 31 December 2020.

(e) During the year ended 31 December 2020, the Group rented an office premises from HGL, the ultimate holding company of the Company, at nil consideration. There was no such arrangement in prior years.

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowing RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2020	10,172,417	45,493	16,655	80,533	781,915	38,702	11,135,715
Cash inflow (outflow):							
Proceeds from borrowings	2,503,512	–	–	–	–	–	2,503,512
Repayment of borrowings	(2,465,981)	–	–	–	–	–	(2,465,981)
Interest paid	–	(6,065)	–	(5,427)	(24,717)	(24,553)	(60,762)
Proceeds from issue of convertible bonds	–	–	–	8,547	–	–	8,547
Redemption of corporate bonds	–	–	–	(3,419)	–	–	(3,419)
Advance from the immediate holding company	–	–	1,016,964	–	–	–	1,016,964
Repayment to the immediate holding company	–	–	(994,291)	–	–	–	(994,291)
Repayment of lease liabilities	–	(34,570)	–	–	–	–	(34,570)
Non-cash transactions:							
New lease liabilities	–	11,332	–	–	–	–	11,332
Recognition of deemed contribution	–	–	(6,585)	–	–	–	(6,585)
Net foreign exchange gain	–	–	–	(3,829)	(72,290)	–	(76,119)
Finance costs	–	6,065	2,346	8,407	125,986	1,082,833	1,225,637
Change in fair value of convertible bonds – derivative component	–	–	–	–	(4,697)	–	(4,697)
At 31 December 2020	10,209,948	22,255	35,089	84,812	806,197	1,096,982	12,255,283

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Borrowing RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Obligations under financing arrangements RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2019, as original stated	4,797,333	–	1,706,956	290,949	244,632	2,693,469	18,843	9,752,182
Adoption of HKFRS 16	–	71,700	–	–	–	–	–	71,700
At 1 January 2019, restated	4,797,333	71,700	1,706,956	290,949	244,632	2,693,469	18,843	9,823,882
Cash inflow (outflow):								
Proceeds from borrowings	7,812,648	–	–	–	–	–	–	7,812,648
Repayment of borrowings	(2,094,425)	–	–	–	–	–	–	(2,094,425)
Interest paid	(421,559)	(6,160)	–	(12,583)	(20,754)	–	19,860	(441,196)
Redemption of convertible bonds	–	–	–	–	(26,814)	–	–	(26,814)
Proceeds from issue of convertible bonds	–	–	–	–	877,192	–	–	877,192
Redemption of corporate bonds	–	–	–	(216,830)	–	–	–	(216,830)
Payment of the cost of issue of convertible bonds	–	–	–	–	(536)	–	–	(536)
Advance from the immediate holding company	–	–	3,559,347	–	–	–	–	3,559,347
Repayment to the immediate holding company	–	–	(8,701,454)	–	–	–	–	(8,701,454)
Repayment of lease liabilities	–	(32,708)	–	–	–	–	–	(32,708)
Non-cash transactions:								
New lease liabilities	–	6,501	–	–	–	–	–	6,501
Recognition of deemed contribution	–	–	(3,377)	–	–	–	–	(3,377)
Reversal of deemed contribution	–	–	78,735	–	–	–	–	78,735
Net foreign exchange loss	859	–	–	2,407	15,467	–	–	18,733
Finance costs	421,559	6,160	146,680	16,590	66,844	41,980	–	699,813
Property held for sale transferred to the Group	–	–	42,846	–	–	–	–	42,846
Reclassification	–	–	2,735,449	–	–	(2,735,449)	–	–
Change in fair value of convertible bonds – derivative component	–	–	–	–	(12,498)	–	–	(12,498)
Charged to convertible bonds equity reserve	–	–	–	–	(541,618)	–	–	(541,618)
Disposal of subsidiaries	(453,498)	–	451,473	–	–	–	–	(2,025)
Acquisition of subsidiaries	109,500	–	–	–	180,000	–	–	289,500
At 31 December 2019	10,172,417	45,493	16,655	80,533	781,915	–	38,703	11,135,716

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 are disclosed as follows:

Name of subsidiary	Place of incorporation/ establishment	Principal place of business	Issued and fully paid share/ registered capital	Effective equity interest held by the Company indirectly		Principal activities
				2020	2019	
Huaren Huai'an (note b, 44(b))	PRC	PRC	RMB20,000,000	–	100%	Property development
Baohua Real Estate Management (Yingkou) Company Limited (note a)	PRC	PRC	RMB100,000,000	100%	100%	Property investment and investment holding
Baohua Jiangsu (note b, 31(e))	PRC	PRC	RMB100,000,000	80%	80%	Property development
Baohua Shanghai (note b, 31(f))	PRC	PRC	RMB200,000,000	100%	100%	Property development and investment
Baohua Properties Dalian (note b, 31(f))	PRC	PRC	RMB21,000,000	100%	100%	Property development
Baohua Properties (Yingkou) Real Estate Co., Ltd. (note b)	PRC	PRC	RMB20,000,000	100%	100%	Property development
Huajun Properties (Wuxi) Co., Ltd. (note b)	PRC	PRC	RMB100,000,000	100%	100%	Property development
Chenzhou Sonic Manufacturing Company Limited (note a)	PRC	PRC	US$1,000,000	100%	100%	Provision of subcontracting services to a fellow subsidiary for paper and packaging products
Huajun Properties (Changzhou) Company Limited (note b)	PRC	PRC	RMB708,830,100	100%	100%	Property development and investment, production of photovoltaics products, engineering management services
Huajun Properties (Dalian) Company Limited (note b)	PRC	PRC	RMB600,000,000	100%	100%	Property development and investment
Dalian Hydraulic (note b, 12)	PRC	PRC	RMB39,200,000	100%	100%	Manufacture and maintenance of hydraulic machinery
Dalian Taiyuan Properties Development Co., Ltd. (note b)	PRC	PRC	RMB186,300,000	100%	100%	Property development and investment
Dongguan New Island Printing Co., Ltd. (note a)	PRC	PRC	HK$162,000,000	100%	100%	Production and distribution of paper products
Huajun Capital Limited	Hong Kong	Hong Kong	HK$50,000,000	100%	100%	Securities investments and management of investment portfolios

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Principal place of business	Issued and fully paid share/ registered capital	Effective equity interest held by the Company indirectly 2020	2019	Principal activities
Huajun Credit Services Limited	Hong Kong	Hong Kong	HK$10,000	**100%**	100%	Money lending
Huajun Energy Group Limited	Hong Kong	Hong Kong	HK$170,000,000	**100%**	100%	Investment holding, trading and logistics
Huajun Financial Group Limited	Cayman Islands	Hong Kong	US$10,000	**100%**	100%	Investment holding and securities investments
Huajun Management Limited	Hong Kong	Hong Kong	HK$100	**100%**	100%	Provision of management services to group companies
Huajun Power (Jiangsu) Co., Limited (note c)	PRC	PRC	RMB100,000,000	**100%**	100%	Production and sale of photovoltaics products, monocrystalline silicon, solar stent and related products
Huajun Power Technology (Jiangsu) Co., Ltd. (note c)	PRC	PRC	RMB2,600,000,000	**100%**	100%	Production and sale of photovoltaics products, monocrystalline silicon, solar stent and related products and provision of processing services
Huajun Equity Investment Fund Management (Shenzhen) Co., Limited (note a)	PRC	PRC	RMB30,000,000	**100%**	100%	Fund management
Jiangsu Zhong Xiang Energy Co., Ltd. (note b)	PRC	PRC	RMB150,000,000	**100%**	100%	Manufacturing and sales of solar control equipment, monocrystalline silicon wafers, polycrystalline silicon, solar cells, coated glass, rare metals, solar modules and silicon materials and related products
Liaoning Baohua Properties Development Co., Ltd. (note b)	PRC	PRC	RMB42,000,000	**100%**	100%	Property development
Huajun Logistics Group Co., Limited (note b)	PRC	PRC	RMB1,000,000,000	**100%**	100%	Manufacturing of automobile and related products
New Island Management Services Limited	Hong Kong	Hong Kong	US$1,000,000	**100%**	100%	Investment holding
New Island Packaging Technology (Jiangsu) Company Limited (note a)	PRC	PRC	US$40,000,000	**100%**	100%	Production and distribution of paper products
New Island Printing Company Limited	Hong Kong	Hong Kong	HK$200 ordinary shares and HK$1,000,000 non-voting deferred shares	**100%**	100%	Investment holding and distribution of paper products

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Principal place of business	Issued and fully paid share/ registered capital	Effective equity interest held by the Company indirectly 2020	2019	Principal activities
New Island Printing (Liaoning) Company Limited (note a)	PRC	PRC	RMB30,000,000	**100%**	100%	Production and distribution of paper products
New Island (Shanghai) Paper Products Co., Ltd. (note a)	PRC	PRC	US$2,500,000	**100%**	100%	Production and distribution of paper products
NITNS LLC	The US	The US	100 ordinary shares of US$1 each	**51%**	51%	Provision of marketing services
Huajun Energy (Shanghai) Co., Ltd. (note b)	PRC	PRC	RMB100,000,000	**100%**	100%	Technology development and sales of chemical products
Huajun Rubber Technology (Shanghai) Co., Ltd. (note b)	PRC	PRC	RMB30,000,000	**60%**	60%	Trading of rubber and products
Shanghai New Island Packaging Printing Co., Ltd. (note a)	PRC	PRC	US$5,700,000	**100%**	100%	Production and distribution of paper products
Shenzhen Huajun Financial Leasing Company Limited ("Huajun Leasing") (note c)	PRC	PRC	US$50,000,000	**70%**	70%	Provision of financial leasing and associated services
United Securities Limited	Hong Kong	Hong Kong	HK$34,700,000	**100%**	100%	Providing securities brokerage services
Wuxi Huiyuan (note b, 44(b))	PRC	PRC	RMB180,000,000	**–**	100%	Property development
Jiangyin Properties (note b)	PRC	PRC	RMB100,000,000	**70%**	70%	Property development
Huajun Properties (Liaoning) Co., Ltd. (note b)	PRC	PRC	RMB50,000,000	**100%**	100%	Property development
Huajun Properties (Yingkou) Co., Ltd. (note b)	PRC	PRC	RMB50,000,000	**100%**	100%	Property development
Yingkou Yi Hua Green Packaging Printing Company Limited (note b)	PRC	PRC	RMB10,000,000	**100%**	100%	Property development

Note: For those subsidiaries established in the PRC, their classification of establishment is as follows:

(a) wholly foreign owned enterprise

(b) domestic invested company

(c) sino-foreign enterprise

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year/period.

The table below shows details of Huajun Leasing and Jiangyin Properties, the non-wholly owned subsidiaries of the Group at 31 December 2020 and 2019 that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	(Loss) profit allocated to non-controlling interests	Balance of non-controlling interests
			RMB'000	RMB'000
31 December 2020				
Huajun Leasing	PRC	30%	(1,337)	107,402
Jiangyin Properties	PRC	30%	(40,978)	(102,595)
31 December 2019				
Huajun Leasing	PRC	30%	(1,454)	108,739
Jiangyin Properties	PRC	30%	13,256	(61,617)

Summarised consolidated financial information prepared in accordance with HKFRSs before intragroup eliminations in respect of the subsidiaries that have material non-controlling interests are set out below.

	Huajun Leasing	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**19,500**	20,979
Current assets	**392,470**	243,779
Current liabilities	**(45,758)**	(48,714)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Huajun Leasing	
	2020	2019
	RMB'000	RMB'000
Revenue	**511**	127
Loss and total comprehensive expense	**(4,455)**	(4,847)
Loss allocated to non-controlling interests	**(1,337)**	(1,454)
Cash flows from (used in) operating activities	**4,054**	(35,930)
Cash flows used in investing activities	**–**	(13)
Cash flows (used in) from financing activities	**(3,929)**	34,802

	Jiangyin Properties	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**28**	54
Current assets	**104,851**	730,308
Current liabilities	**(446,705)**	(935,596)

	Jiangyin Properties	
	2020	2019
	RMB'000	RMB'000
Revenue	**495,080**	403,858
(Loss)profit and total comprehensive (expense) income	**(136,592)**	44,187
(Loss)profit allocated to non-controlling interests	**(40,978)**	13,256
Cash flows from operating activities	**102,290**	389,972
Cash flows from (used in) investing activities	**69,119**	(69,117)
Cash flows used in from financing activities	**(165,416)**	(333,733)

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**1,730,403**	1,730,394
Amounts due from subsidiaries (Note)	**4,554,364**	7,015,846
	6,284,767	8,746,240
CURRENT ASSETS		
Amounts due from subsidiaries (Note)	**1,463,400**	2,019,822
Deposits and prepayments	**13,128**	21,026
Bank balances and cash	**7,156**	27,055
	1,483,684	2,067,903
CURRENT LIABILITIES		
Other payables	**12,145**	11,844
Amounts due to subsidiaries	**6,020,446**	7,210,361
Corporate bonds	**1,699**	3,612
Convertible bonds – liability component	**193,935**	–
Convertible bonds – derivative component	**33**	–
	6,228,258	7,225,817
NET CURRENT LIABILITIES	**(4,744,574)**	(5,157,914)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,540,193**	3,588,326
NON-CURRENT LIABILITIES		
Amount due to immediate holding company	**35,089**	16,655
Corporate bonds	**83,113**	76,921
Convertible bonds – liability component	**612,229**	776,973
Convertible bonds – derivative component	**–**	4,942
	730,431	875,491
NET ASSETS	**809,762**	2,712,835
CAPITAL AND RESERVES		
Share capital	**55,983**	55,983
Reserves	**753,779**	2,656,852
TOTAL EQUITY	**809,762**	2,712,835

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note: As at 31 December 2020, ECL for amounts due from subsidiaries and bank balances are assessed and impairment loss allowance of approximately RMB2,450,544,000 (2019: RMB1,058,630,000) is made on the amounts due from subsidiaries based on the Company's internal and/or external credit rating.

Movement in reserves

	Share premium RMB'000	Contributed surplus RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Deemed contribution reserve RMB'000	Convertible bonds – equity conversion reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	2,551,848	69,589	42,603	33,706	334,521	–	(500,854)	2,531,413
Loss for the year	–	–	–	–	–	–	(610,302)	(610,302)
Other comprehensive income	–	–	–	32,459	–	–	–	32,459
Total comprehensive income (expense) for the year	–	–	–	32,459	–	–	(610,302)	(577,843)
Lapse of share options	–	–	(4,740)	–	–	–	4,740	–
Issue of convertible bonds	–	–	–	–	–	541,618	–	541,618
Acquisition of a wholly owned subsidiary	5,618	–	–	–	–	–	–	5,618
Deemed contribution from the controlling company	–	–	–	–	3,377	–	–	3,377
Reversal of deemed contribution from the controlling company	–	–	–	–	(78,735)	–	–	(78,735)
Deemed contribution from reversal of provision of financial guarantee	–	–	–	–	231,404	–	–	231,404
At 31 December 2019 and 1 January 2020	2,557,466	69,589	37,863	66,165	490,567	541,618	(1,106,416)	2,656,852
Loss for the year	–	–	–	–	–	–	(1,905,355)	(1,905,355)
Other comprehensive expense	–	–	–	(4,303)	–	–	–	(4,303)
Total comprehensive income (expense) for the year	–	–	–	(4,303)	–	–	(1,905,355)	(1,909,658)
Lapse of share options	–	–	(7,678)	–	–	–	7,678	–
Deemed contribution from the controlling company	–	–	–	–	6,585	–	–	6,585
At 31 December 2020	2,557,466	69,589	30,185	61,862	497,152	541,618	(3,004,093)	753,779

53. CONTINGENT LIABILITIES

As at 31 December 2020, the Group has several outstanding legal proceedings with construction contractors, customers, suppliers and joint venture partner that against the Group in the PRC in relation to the Group's property development and investment, printing and solar photovoltaic segment. Apart from disclosed below, the directors consider that all other legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

A cooperation agreement entered between the Group and an independent third party is not likely to be proceeded due to the failure to comply with certain urban renewal policies in Guangdong Province, the PRC and the relating project shall be terminated. Accordingly, the counterparty has raised a civil prosecution to Guangdong High Court* against the Group regarding the breach of the Cooperation Agreement. The hearing was held on 29 March 2019 and a judgement was handed down by Guangdong High Court on 29 September 2019, requesting the Group to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000 to the counterparty. The Group filed an appeal to the Guangdong High Court and the hearing was held in October 2020. The appeal was rejected and the Group is liable to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000. The Group has made a provision of RMB80,000,000 in respect of the damages in the financial statement. In December 2020, the Group has applied for retrial to the Supreme People's Court.

On 6 March 2018, the Group entered into three share transfer agreements with an independent third party for the transfer of equity interest of three property companies in Wuxi. The Group failed to pay the outstanding consideration and related interest on or before 12 March 2018. The counterparty raised a civil prosecution to the Jiangsu High Court against the Group on 20 April 2020. The hearing was held on 14 August 2020 and a judgement was handed down on 14 September 2020, requesting the Group to pay for damages of approximately RMB31,574,000 to the counterparty. The Group filed an appeal to Jiangsu High Court and the hearing was held on 25 March 2021 but no judgement has been handed down yet. The Group has provided the provision of RMB31,574,000 based on initial judgement handed down by the Jiangsu High Court.

* English name for reference only

54. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2020, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB11,332,000 (31 December 2019: RMB6,501,000) were recognised at the commencement of the leases.

(b) On 29 March 2019, Huajun Holdings Group Limited, a company wholly owned by Mr. Meng and his spouse, replaced Huajun Properties Yangzhou and Baohua Properties Yingkou to be the guarantor of the financing arrangement and therefore the entire outstanding balance of approximately RMB2,735,448,000 were reclassified from obligations under financing arrangement to amount due to immediate holding company.

(c) As disclosed in note 44(a), on 28 June 2019, the Group acquired the entire equity interest of Huaren Huai'an at a consideration of RMB180,000,000 settled by the issue of a convertible bond to CHG, the former immediate holding company of the Company.

55. EVENTS AFTER THE REPORTING PERIOD

Except as elsewhere in the consolidated financial statements, there are no other material events after the reporting period.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 March		Period ended 31 December	Year ended 31 December	
	2017	2018	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	3,313,992	3,921,601	2,649,485	3,699,606	**3,515,451**
Profit (loss) before tax	134,548	(925,030)	(349,597)	(563,283)	**(1,651,474)**
Income tax expense (credit)	(91,147)	(3,425)	(46,514)	(70,472)	**21,630**
Profit (loss) for the year/period from continuing operation	43,401	(928,455)	(396,111)	(633,755)	**(1,629,844)**
Attributable to：					
Shareholders of the Company	22,717	(931,079)	(388,926)	(644,710)	**(1,573,818)**
Non-controlling interests	20,684	2,624	(7,185)	10,955	**(56,026)**
	43,401	(928,455)	(396,111)	(633,755)	**(1,629,844)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March		As at 31 December		
	2017	2018	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	11,672,189	11,764,556	15,762,535	17,655,495	**16,992,532**
Total liabilities	(8,146,342)	(9,083,035)	(13,131,815)	(14,934,271)	**(15,876,405)**
	3,525,847	2,681,521	2,630,720	2,721,224	**1,116,127**
Share capital	55,203	55,203	55,203	55,983	**55,983**
Reserves	3,336,717	2,481,599	2,513,008	2,597,448	**1,048,221**
Equity attributable to shareholders of the Company	3,391,920	2,536,802	2,568,211	2,653,431	**1,104,204**
Non-controlling interests	133,927	144,719	62,509	67,793	**11,923**
Total equity	3,525,847	2,681,521	2,630,720	2,721,224	**1,116,127**

SUMMARY OF PROPERTIES

Particulars of the Group's major investment properties, properties held for sale and properties under development as at 31 December 2020 are as follows:

INVESTMENT PROPERTIES

Location	Purpose	Approximate gross floor areas (sq.meter)	Group's interest	Land lease duration
1. Commercial Units at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	Commercial	2,072	100%	Medium
2. Medical Building, the middle of Kunlun Street, Bayuquan District, Liaoning Province, the PRC	Commercial	5,686	100%	Medium
3. Commercial units at No. 4 Sanba Square, Zhongshan District, Dalian City, Liaoning Province, the PRC	Commercial	41,945	100%	Medium
4. Annexe to Shun Hing Square, Shennan East Road, Luohu District, Shenzhen City, the PRC	Residential	1,759	100%	Medium
5. Three parcels of land located at west of Houyab Tollbooth of Harbin – Dalian Highway and east of the intersection of Yingjin Road and Guibai Road, Ganjingzi District, Dalian City, Liaoning Province, The PRC	Warehouse and commercial	87,538	100%	Medium

PROPERTIES HELD FOR SALE

Location	Purpose	Approximate gross floor areas (sq.meter)	Group's interest	Land lease duration
South-eastern side of Wang'ershan Avenue Bayuquan District, Yingkou City, Liaoning Province, the PRC	Residential	36,524	100%	Long
The south of Moon Lake Park and the west of Liaodongwan Avenue, Bayuquan District, Yingkou City, Liaoning Province, the PRC	Residential/ Commercial	119,644	100%	Medium – Commercial Long – Residential
Residential units located at No. 99 Changshan Road, Jiangyin City, Jiangsu Province, the PRC	Residential/ Commercial	109,019	70%	Medium – Commercial Long – Residential

SUMMARY OF PROPERTIES *(continued)*

PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Purpose	Site areas (sq.meter)	Approximate gross floor areas (sq.meter)	Stage of completion	Expected completion	Group's Interest	Land lease duration
Intersection of Dongyuan Road and Jianmin Road, Gaoyou City, Jiangsu Province, the PRC	Residential/ Commercial	180,616	507,172	Completed Superstructure in progress Foundation in progress	Phase I-S (2020) Phase I-N (2022) Phase II (2023)	80%	Medium – Commercial Long – Residential
The junction of Luma Road and Changle Road, Binhu District, Wuxi City, Jiangsu Province, the PRC	Residential/ Commercial	163,232	366,035	Phase I – Final stage Phase II – Foundation in progress	Phase I (2021) Phase II (2022)	100%	Medium – Commercial Long – Residential
The east of Pingan Avenue and south of Haiyun Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC 115007	Residential/ Commercial	38,120	119,798	Superstructure in progress	2021	100%	Medium – Commercial Long – Residential

INVESTMENT PROPERTIES UNDER DEVELOPMENT

Location	Purpose	Site areas (sq.meter)	Approximate gross floor areas (sq.meter)	Stage of completion	Expected completion	Group's Interest	Land lease duration
Investment properties under construction at Xinzhuang Town, Minhang District, Shanghai, the PRC	Office/ Commercial	39,825	185,075	Superstructure in progress	2021	100%	Medium
Investment properties under construction located at the south-eastern side of the junction of Titan Road and Zhongshan Road, Shahekou District, Dalian City, Liaoning Province, the PRC	Office/ Commercial	10,857	146,270	Main structure completed and under interior decoration	2021	100%	Medium