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 2021

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Meng Guang Bao *(Chairman)*
Mr. Yan Ruijie *(Chief Executive Officer)*

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
Mr. Yan Ruijie

Nomination Committee

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

Company Secretary

Mr. Tam Ka Lung

Authorised Representatives

Mr. Yan Ruijie
Mr. Tam Ka Lung

Legal Advisers

Anthony Siu & Co. Solicitors & Notaries

Auditor

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

Principal Bankers

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Liaoshen Bank Company Limited
Shengjing Bank Company Limited

Registered Office

Victoria Place, 5th Floor
31 Victoria Street, Hamitton
Pembroke, HM10
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suites 903-905, 9th Floor
Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

CORPORATE INFORMATION *(continued)*

Principal Share Registrar and Transfer Office in Bermuda

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street, Hamitton
Pembroke, HM10
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

Email: ir@chinahuajungroup.com
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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 2021 (the "Current Year") for the shareholders' perusal.

Highlights

For the Current Year, revenue was approximately RMB3,512.4 million, representing a decrease of approximately RMB3.1 million, or approximately 0.1%, compared to revenue of approximately RMB3,515.5 million for the year ended 31 December 2020 (the "Last Year"). The overall decrease in revenue was attributable to the decrease in revenue generated from Property Development and Investments business. During the Current Year, the PRC government implemented several policies to cool down the overheating in the property market and as such, the property prices suffered and this resulted the decrease in revenue for Property Development and Investment business. The decrease was partially set-off with the increase in revenue from Printing and Trading and Logistics business. The increase in Printing revenue was mainly due to the gradual recovery from the overseas market. The increase in Trading and Logistics revenue was mainly due to the recovery in the PRC market following the improvement of COVID-19.

Time goes swiftly on its way. Looking back to the year of 2021, the business environment became more and more challenging. COVID-19 epidemic was continuing severe and many countries imposed stringent quarantine policies, creating a difficult challenge to the society, enterprises and even the Company. All business segments worked hard and forge, moving forward to adapt the situation of the epidemic with flexibility, firmly implementing various tasks and goals.

Prospect

In the days to come, we shall continue to assess the situation and implement suitable plans when appropriate. The global economic prospect remains uncertain, the economic situation in the Mainland China is full of challenges. 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 our enterprise and reduce the gearing ratio and accelerate disposal and sale of existing assets by taking advantage of policy of the Greater Bay area and leveraging the superior brand effect of the listing platform. At the same time, we shall keep enhancing our ability in management and operation and retain prudent financial strategy to optimise our financial structure and improve the Company's profitability.

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, 23 June 2022

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 2021 (the "**Current Year**"), revenue was approximately RMB3,512.4 million, representing a decrease of approximately RMB3.1 million, or 0.1%, compared to revenue of approximately RMB3,515.5 million for the year ended 31 December 2020 (the "**Last Year**"). The overall decrease in revenue was attributable to the decrease in revenue generated from Property Development and Investments business. During the Current Year, the PRC government implemented several policies to cool down the overheating in the property market and as such, the property prices suffered and this resulted the decrease in revenue for Property Development and Investment business. The decrease was partially set-off with the increase in revenue from Printing and Trading and Logistics business. The increase in Printing revenue was mainly due to the gradual recovery from the overseas market. The increase in Trading and Logistics revenue was mainly due to the recovery in the PRC market following the improvement of COVID-19.

For the Current Year, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 60.4% (Last Year: approximately 58.3%) of the total revenue followed by Property Development and Investments segment which accounted for approximately 19.8% (Last Year: approximately 22.8%) of the total revenue. For the Current Year, local PRC sales continued to be our major source of revenue, representing approximately 89.3% (Last Year: 92.0%) 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 2021		For the year ended 31 December 2020	
	RMB Million	**%**	RMB Million	%
Printing	**508.8**	**14.5%**	440.5	12.5%
Trading and Logistics	**2,121.6**	**60.4%**	2,050.7	58.3%
Property Development and Investments	**696.5**	**19.8%**	802.7	22.8%
Solar Photovoltaic	**98.1**	**2.8%**	109.5	3.1%
Financial Services	**4.5**	**0.1%**	4.9	0.1%
Other	**82.9**	**2.4%**	107.2	3.2%
	3,512.4	**100%**	3,515.5	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 2021		For the year ended 31 December 2020	
	RMB Million	**%**	RMB Million	%
The PRC	**3,137.1**	**89.3%**	3,233.8	92.0%
The United States	**179.1**	**5.1%**	136.9	3.9%
Hong Kong	**54.7**	**1.6%**	39.7	1.1%
European countries	**57.6**	**1.6%**	44.8	1.3%
Other countries	**83.9**	**2.4%**	60.3	1.7%
	3,512.4	**100%**	3,515.5	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 ("**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.

As a result of gradually recovery of overseas market during the Current Year, the revenue of printing products increased compared to Last Year.

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. Most of our customers for petrochemical products are located in the PRC and the sales have gradually recovered in the Current Year 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）, 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）with total gross floor area (“**GFA**”) of approximately 125,000 square metres. 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. The project is under development as at 31 December 2021.

Dalian Projects

Two property projects named Dalian Huajun Plaza*（大連華君廣場）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 Project is under development as at 31 December 2021 and 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）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 and have recognised revenue of approximately RMB407.3 million during the Current Year.

Property for sale – Wuxi Project

(i) 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.

(ii) 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 RMB313.4 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 is in progress in constructing a new factory in Liuhe District, Jiangsu to be equipped with production lines with latest technology. During the Current Year, certain existing production lines in obsolete technologies located at Jurong City, Jiangsu, have been leased out to generate rental income.

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 prudent 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 RMB3,512.4 million, representing a decrease of approximately RMB3.1 million, or 0.1%, compared to revenue of approximately RMB3,515.5 million for the Last Year. For the Current Year, our Group's major business segments, namely (1) Printing reported a revenue of approximately RMB508.8 million (Last Year: approximately RMB440.5 million); (2) Trading and Logistics reported a revenue of approximately RMB2,121.6 million (Last Year: approximately RMB2,050.7 million); (3) Solar Photovoltaic recorded revenue of approximately RMB98.1 million (Last Year: approximately RMB109.5 million); (4) Property Development and Investments reported a revenue of approximately RMB696.5 million (Last Year: approximately RMB802.7 million); and (5) Financial Services recorded a revenue of approximately RMB4.5 million (Last Year: approximately RMB4.9 million). We also recorded revenue of approximately RMB82.9 million (Last year: RMB107.2 million) from other operating segments during the Current Year.

The overall decrease in revenue was attributable to the decrease in revenue generated from Property Development and Investment business. During the Current Year, the PRC government implemented several policies to cool down the overheating in the property market and as such, the property prices suffered and this resulted the decrease in revenue for Property Development and Investment business.

The decrease was partially set-off with the increase in revenue from Printing and Trading and Logistics business. The increase in Printing revenue was mainly due to the gradual recovery from the overseas market. The increase in Trading and Logistics revenue was mainly due to the recovery in the PRC market following the improvement of COVID-19.

Gross profit and gross profit margin

Gross profit was approximately RMB74.1 million for the Current Year (Last Year: approximately RMB40.9 million), with gross profit margin of approximately 2.1% (Last Year: approximately 1.2%). The slight improvement in gross profit and gross profit margin was attributable to improvement in gross margin of our Trading and Logistics business and, the Group recognised provision for write down of properties held for sales of approximately of RMB109.6 million (Last year: RMB117.3 million), leading to the increase 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 RMB31.8 million or 23.7% to approximately RMB102.4 million, or 2.9% of revenue for the Current Year, from approximately RMB134.2 million, or 3.8% 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 RMB48.9 million or 13.8% to approximately RMB305.2 million or 8.7% of revenue of the Current Year, from approximately RMB354.1 million, or 10.1% 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 RMB1,097.3 million (Last Year: approximately RMB898.7 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 32.

Change in fair value of investment properties

During the Current Year, the Group recorded loss on changes in fair value of investment properties of RMB372.7 million compared to a loss of RMB176.0 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 2021.

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 RMB58.1 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 RMB1,778.0 million, as compared to a loss of approximately RMB1,573.8 million for the Last Year.

Liquidity, financial resources and capital structure

Shareholders' funds

Total shareholders' funds had recorded deficiency of approximately RMB844.9 million as at 31 December 2021, as compared to equity of approximately RMB1,116.1 million as at 31 December 2020.

Financial position

As at 31 December 2021, the Group had current assets of approximately RMB8,570.1 million (31 December 2020: approximately RMB9,037.6 million) comprising cash and cash equivalents of approximately RMB152.2 million (31 December 2020: approximately RMB219.1 million), and current liabilities of approximately RMB15,986.7 million (31 December 2020: approximately RMB13,758.3 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.5 (31 December 2020: 0.7).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 70.5% as at 31 December 2021 as compared to 65.3% as at 31 December 2020.

Cash and cash equivalents

As at 31 December 2021, our Group had cash and cash equivalents of approximately RMB152.2 million (31 December 2020: approximately RMB219.1 million), most of which were denominated in Renminbi.

Borrowings

As at 31 December 2021, our Group had interest-bearing bank borrowings and other borrowings of approximately RMB11,017.2 million (31 December 2020: approximately RMB10,209.9 million). Of these borrowings, approximately RMB10,763.1 million (31 December 2020: approximately RMB9,904.3 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 RMB658.5 million (Last Year: approximately RMB922.1 million).

Pledge of assets

As at 31 December 2021, 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 RMB499.3 million, RMB246.5 million, RMB5,953.8 million, RMB4,913.9 million, RMB10.0 million, RMB10.7 million and RMB7.7 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 2021, 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 into 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 consolidated financial statements. In December 2020, the Group has applied for retrial to the Supreme People's Court. In June 2021, the Supreme People's Court has rejected the Group's application for retrial. Subsequent to the end of the reporting period, the Group has settled the legal proceedings by repaying the counterparty as per the judgement of the Guangdong High 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. Subsequent to the end of reporting period, the final judgement had been released by Jiangsu High Court which supported the judgement of first hearing.

Environmental Policies and Performance

The Group recognises environmental protection is of vital importance 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" has been published on 31 May 2022 and available on the Group's website at http://www.chinahuajungroup.com and on the HKExnews website of the Stock Exchange at http://www.hkexnews.hk.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Meng Guang Bao (孟廣寶先生), aged 49, 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.

Mr. Yan Ruijie (閆銳杰先生), aged 36, joined the Company in 2014 and has been appointed as a Executive Director of the Company on 17 June 2021 and has been re-designated to the Chief Executive Officer of the Company on 7 June 2022. Mr. Yan is also a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from 瀋陽農業大學 (Shenyang Agricultural University) and obtained the first-level construction engineer qualification certificate in 2017 and the senior engineer certificate in 2019. Prior to joining the Company, Mr. Yan has worked in several property development companies in Yingkou City, Liaoning Province. He successively served as the Company's regional general manager, and general manager of the property group. He is also the director of certain subsidiaries of the Company.

Independent Non-executive Directors

Mr. Zheng Bailin (鄭柏林先生), aged 76, 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 76, 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). 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pun Chi Ping (潘治平先生), aged 55, 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 43, 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.

Subsequent to the end of the reporting period, Ms. Zhang Ye and Mr. Zhang Shifeng were resigned as executive Directors. Accordingly, up to the date of this annual report, the Board currently comprises two executive Directors, namely Mr. Meng Guang Bao (Chairman) and Mr. Yan Ruijie (Chief Executive Officer) 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 13 to 14 of this annual report.

During the Current Year, 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. Since Ms. Zhang Ye resigned as the executive Director and the joint chief executive officer of the Company on 7 June 2022, Mr. Yan Ruijie, one of the executive Directors of the Company, has been redesignated as the Chief Executive Officer of the Company on the same date. 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 non-executive 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, further appointment of Mr. Pun Chi Ping, who has served the Board for more than 9 years, will be subject to a separate resolution to be approved by shareholders. The reasons that the Board believes he is still independent and should be re-elected has been disclosed in the "Report of the Directors" and will be enclosed in the circular containing the details of annual general meeting to be dispatched to Shareholders.

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, Mr. Yan Ruijie, Mr. Zhang Shifeng, 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.

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 six Board 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)*	6/6	1/1
Ms. Zhang Ye *(Note 2)*	6/6	1/1
Ms. Huang Xiumei *(Note 1)*	4/4	1/1
Ms. Bao Limin *(Note 1)*	4/4	1/1
Mr. Yan Ruijie *(Note 1)*	2/2	N/A
Mr. Zhang Shifeng *(Note 1 & 2)*	2/2	N/A
Independent Non-executive Directors:		
Mr. Zheng Bailin	6/6	1/1
Mr. Shen Ruolei	6/6	1/1
Mr. Pun Chi Ping	6/6	1/1

Notes:

1. Ms. Huang Xiumei and Ms. Bao Limin retired as executive Director on 17 June 2021 and Mr. Zhang Shifeng and Mr. Yan Ruijie have been appointed as executive Director with effect from 17 June 2021.

2. Ms. Zhang Ye and Mr. Zhang Shifeng resigned as executive Director on 7 June 2022.

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, 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. Following the resignation of Ms. Zhang Ye on 7 June 2022, Mr. Yan Ruijie has been appointed as a new member of the Remuneration Committee. 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 2021 Number of individuals	Year ended 31 December 2020 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 *(Note)*	1/1
Mr. Shen Ruolei	1/1
Mr. Pun Chi Ping	1/1

Note: resigned on 7 June 2022.

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, 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. Following the resignation of Ms. Zhang Ye on 7 June 2022, Mr. Yan Ruijie has been appointed as a new member of the Nomination Committee. 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 *(Note)*	1/1
Mr. Pun Chi Ping	1/1
Mr. Zheng Bailin	1/1

Note: resigned on 7 June 2022.

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 two 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)*	2/2
Mr. Zheng Bailin	2/2
Mr. Shen Ruolei	2/2

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 auditor, SHINEWING (HK) CPA Limited, charged the Group RMB2.6 million for audit services.

(b) Other auditors of the Company's subsidiaries charged RMB0.6 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 board meetings are complied with for all applicable rules and regulations.

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 42 to 44. 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 2021 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.

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 17 June 2021, 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, Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, 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 Suites 903-905, 9th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, 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 45 to 49 and 204 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 RMB304,000.

Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2021 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 208.

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	9.2%
The largest customer	3.0%
Purchases	
Five largest suppliers in aggregate	41.4%
The largest supplier	13.0%

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 40 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 50 and note 52 to the consolidated financial statements respectively.

As at 31 December 2021, the Company's reserves available for distribution calculated in accordance with the provisions of the Bermuda Companies Act 1981 was Nil (31 December 2020: Nil).

Borrowings

Particulars of borrowings of the Group at 31 December 2021 are set out in note 32 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 (resigned on 7 June 2022)
Mr. Yan Ruijie (appointed on 17 June 2021)
Mr. Zhang Shifeng (appointed on 17 June 2021 and resigned on 7 June 2022)
Ms. Huang Xiumei (retired on 17 June 2021)
Ms. Bao Limin (retired on 17 June 2021)

Independent Non-executive Directors:

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

Mr. Zheng Bailin and Mr. Pun Chi Ping 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 and should be re-elected in the forthcoming annual general meeting of the Company.

Changes in Information of Director

On 31 March 2022, both of Ms. Zhang Ye and Mr. Yan Ruijie have been re-designated as the joint chief executive officer and executive director of the Company. For details, please refer to the announcement of the Company dated 31 March 2022.

On 7 June 2022, Mr. Zhang Shifeng resigned as executive Director of the Company and Ms. Zhang Ye resigned as executive Director and ceased to be the joint chief executive officer, members of the Remuneration Committee and the Nomination Committee of the Company. Following the resignation of Ms. Zhang Ye, Mr. Yan Ruijie has been re-designated as the Chief Executive Officer of the Company and was appointed as the members of the Remuneration Committee and the Nomination Committee of the Company. For further details, please refer to the announcement of the Company dated 7 June 2022.

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 2021, 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:

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 certain conditions of the acquisition were not fulfilled on or before conditions fulfillment date, the acquisition was lapsed on 1 July 2021. 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, 1 September 2020 and 2 July 2021.

As the vendor is ultimately wholly owned by Mr. Meng, chairman of the Board and executive Director of the Company, 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 certain conditions of the acquisition were not fulfilled on or before conditions fulfillment date, the acquisition was lapsed on 30 December 2021. 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, 22 October 2020 and 31 December 2021.

As each of the Vendor A and the Vendor B are indirectly wholly owned by Mr. Meng and his spouse, 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.

Disposal of Yingkou Furun

On 21 July 2021, Huajun Logistics Group Limited*（華君物流集團有限公司）, an indirect wholly-owned subsidiary of the Company, as vendor, entered into an equity transfer agreement with Huajun Group (Yingkou) Company Limited*（華君集團（營口）有限公司）, as purchaser, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the entire equity interest in Yingkou Furun Industrial Co., Ltd.*（營口富潤實業有限公司）("Yingkou Furun") at the consideration of RMB8,060,000 upon the terms and conditions set out in the equity transfer agreement.

The Company looked for opportunities in enhancing the Group's focus on other core business segments with faster return. The disposal can also save the resources of the Group to handle the litigation and to avoid incurring further finance costs for banking facilities of the group companies of Yingkou Furun. The Directors are of the view that the disposal would improve the liquidity and overall financial position of the Group.

The disposal has completed on 22 September 2021. For further details, please refer to the Company's announcements dated 21 July 2021, 19 August 2021 and 23 September 2021.

As the purchaser is indirectly wholly-owned by Mr. Meng, accordingly, the purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules, the disposal constitutes a connected transaction for the Company 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 2021, 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)	44,450,619 (L)	72.22%
	Beneficial owner	868,520 (L)	1.41%
	Share options(Note 2)	387,351 (L)	0.63%
Ms. Zhang Ye	Share options(Note 2&3)	274,050 (L)	0.45%
Mr. Zhang Shifeng	Beneficial owner(Note 3)	5,200 (L)	0.01%
Mr. Zheng Bailin	Share options(Note 2)	38,735 (L)	0.06%
Mr. Shen Ruolei	Share options(Note 2)	38,735 (L)	0.06%
Mr. Pun Chi Ping	Share options(Note 2)	38,735 (L)	0.06%

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

Notes:

1. Long positions in 44,450,619 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 was beneficially owned as to 100% by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Huajun Group Limited by virtue of SFO.

2. 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.

3. Each of Ms. Zhang Ye and Mr. Zhang Shifeng was resigned as executive Director of the Company on 7 June 2022.

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 2021, 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 2021, 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 2021
Madam Bao Le	45,706,490 (L)	Interest held by spouse *(Note (b))*	74.26%
Huajun Group Limited	44,450,619 (L)	Beneficial owner *(Note (a))*	72.22%
Mr. Meng	44,450,619 (L)	Interest of controlled corporation *(Note (a))*	72.22%
	868,520 (L)	Beneficial owner	1.41%
	387,351 (L)	Share Options	0.63%
Ouke Group Holdings Limited	6,582,326 (L)	Beneficial owner	10.69%

Notes:

(a) 44,450,619 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.

(b) Madam Bao Le, being a spouse of Mr. Meng, was deemed to be interested in the interest held by Mr. Meng.

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

Save as disclosed above, as at 31 December 2021, 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 2021, the number of share options have been granted and remained outstanding under the Scheme was 1,873,806 (31 December 2020: 1,873,806) representing approximately 3.04% (31 December 2020: 3.04%) 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 2021	Granted	Exercised	Lapsed	At 31 December 2021
Movement during the year ended 31 December 2021	1,873,806	NIL	NIL	NIL	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 2021 and no equity-linked agreements subsisted as at 31 December 2021.

Retirement Schemes

Particulars of retirement schemes of the Group are set out in note 41 to the consolidated financial statements.

Staff

As at 31 December 2021, the Group had a total staff of 2,557 (31 December 2020: 3,059).

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:

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. As certain conditions of the acquisition were not fulfilled on or before conditions fulfillment date, the acquisition was lapsed on 1 July 2021.

Yingkou Furun Industrial

On 21 July 2021, Huajun Logistics Group Limited*（華君物流集團有限公司）, an indirect wholly-owned subsidiary of the Company, as vendor, entered into an equity transfer agreement with Huajun Group (Yingkou) Company Limited*（華君集團（營口）有限公司）, as purchaser, to dispose of the entire equity interest in Yingkou Furun Industrial Co., Ltd.*（營口富潤實業有限公司）at the consideration of RMB8,060,000. The disposal has completed on 22 September 2021 and Yingkou Furun Industrial ceased to be a subsidiary of the Company and its financial results are no longer consolidated into the Group's financial statements.

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 2021 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, 23 June 2022

INDEPENDENT AUDITOR'S REPORT

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE SHAREHOLDERS OF CHINA HUAJUN GROUP LIMITED
中國華君集團有限公司
(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 45 to 207, which comprise the consolidated statement of financial position as at 31 December 2021, 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 RMB1,784,185,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net liabilities of approximately RMB844,868,000, which included principals and interest and penalty payables of approximately RMB11,017,177,000 and RMB2,248,491,000 respectively, of which principals of approximately RMB9,849,889,000 in total were in default and therefore the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2021. Moreover, the Group is involved in a number of litigations requesting the Group to settle the defaulted loans along with interests. Details are set out in notes 2 and 32 to the consolidated financial statements. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB152,204,000 only. These conditions, together with other matters as described in notes 2 and 32 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 plans and measures to improve the Group's liquidity and financial position to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures, which are subject to multiple uncertainties, including (i) expected proceeds from realisation of Group's certain property investment and development projects; (ii) successful acceleration of the progress of property development projects; and (iii) cash inflow from operations.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management including the consent from lenders to continue the development of certain frozen property projects, the ability to secure additional funding to complete the construction works in order to realise the maximum premium from sale of those projects; (ii) the lack of detailed analyses from the management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of those plans and measures and how variability in outcome would affect the future cash flows of the Group, and (iii) the lack of sufficient basis that the improvement of future operating results and cash flows would be realised. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

Should the Group fail to continue as a going concern, 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.

In view of the significance of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaim our opinion in respect of the consolidated financial statements of the Group for the year ended 31 December 2021.

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
23 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6		
Goods and services		**3,496,959**	3,497,209
Finance lease income		**1,297**	616
Interest income from provision of finance		**1,886**	1,537
Rental income from property investments		**11,002**	14,069
Dividend from securities investments		**1,294**	1,780
Others		**–**	240
Total revenue		**3,512,438**	3,515,451
Cost of sales and services		**(3,438,342)**	(3,474,518)
Gross profit		**74,096**	40,933
Other gains and losses	8	**2,535**	665
Other income	9	**10,590**	65,013
Change in fair value of investment properties	17	**(372,744)**	(175,975)
Selling and distribution expenses		**(102,371)**	(134,167)
Administrative expenses		**(305,194)**	(354,109)
Impairment of goodwill	18	**–**	(8,087)
Reversal (impairment loss recognised) in respect of			
– trade receivables	44	**11,220**	(13,898)
– other receivables	44	**7,521**	(74,858)
– loan and interest receivables	44	**–**	(11,525)
– property, plant and equipment	16	**(58,093)**	(114,366)
– right-of-use assets	26	**(30)**	–
Finance costs	10	**(1,097,345)**	(898,708)
Share of result of an associate		**515**	518
Gain on disposal of subsidiaries	45	**–**	22,393
Change in fair value of convertible bonds			
– derivative component	35	**33**	4,697
Loss before tax		**(1,829,267)**	(1,651,474)
Income tax credit	11	**45,082**	21,630
Loss for the year	13	**(1,784,185)**	(1,629,844)

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

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(79,797)**	(78,827)
Change in fair value of debt instruments at fair value through other comprehensive income ("FVTOCI")		**(3,375)**	(76)
Reclassification adjustment relating to loss (gain) on disposal of debt instruments at FVTOCI included in profit or loss		**3,300**	(1,142)
		(79,872)	(80,045)
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**146,855**	98,207
Other comprehensive income for the year		**66,983**	18,162
Total comprehensive expense for the year		**(1,717,202)**	(1,611,682)
Loss for the year attributable to:			
– Shareholders of the Company		**(1,778,008)**	(1,573,818)
– Non-controlling interests		**(6,177)**	(56,026)
		(1,784,185)	(1,629,844)
Total comprehensive expense attributable to:			
– Shareholders of the Company		**(1,711,029)**	(1,555,812)
– Non-controlling interests		**(6,173)**	(55,870)
		(1,717,202)	(1,611,682)
		RMB	RMB
Loss per share	15		
Basic		**(28.89)**	(25.57)
Diluted		**(28.89)**	(25.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,553,719**	2,028,418
Investment properties	17	**5,075,502**	5,159,166
Goodwill	18	**–**	–
Other non-current asset	19	**2,824**	–
Interest in an associate	20	**30,246**	29,731
Interest in a joint venture	21	**–**	–
Deposits for property, plant and equipment	22	**40,959**	62,680
Financial assets at fair value through profit or loss ("FVTPL")	23	**23,001**	28,998
Other receivables and deposits	27	**53,631**	101,914
Debt instruments at FVTOCI	23	**–**	3,282
Deferred tax assets	38	**7,026**	15,730
Right-of-use assets	26	**378,763**	524,993
		7,165,671	7,954,912
CURRENT ASSETS			
Properties held for sale	24	**7,091,240**	7,109,134
Inventories	25	**285,077**	230,892
Trade and other receivables, deposits and prepayments	27	**945,496**	1,291,324
Loan and interest receivables	28	**–**	–
Tax recoverable		**5,739**	23,689
Financial assets at FVTPL	23	**12,735**	10,535
Restricted bank balances	29	**7,700**	46,878
Pledged bank deposits	29	**10,749**	46,946
Bank balances and cash	29	**152,204**	219,083
		8,510,940	8,978,481
Assets classified as held for sale	12	**59,139**	59,139
		8,570,079	9,037,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade and other payables, and other liabilities	30	**3,636,931**	2,374,295
Bill payables	31	**17,401**	428,073
Tax payable		**118,289**	119,986
Borrowings	32	**10,828,687**	9,084,328
Contract liabilities	33	**1,287,273**	1,490,704
Corporate bonds	34	**12,657**	1,699
Convertible bonds – liability component	35	**–**	193,935
Convertible bonds – derivative component	35	**–**	33
Deferred consideration	36	**74,518**	51,020
Lease liabilities	26	**10,943**	14,238
		15,986,699	13,758,311
NET CURRENT LIABILITIES		**(7,416,620)**	(4,720,691)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(250,949)**	3,234,221
NON-CURRENT LIABILITIES			
Deferred income	37	**133,858**	155,664
Deferred tax liabilities	38	**12,036**	98,362
Amount due to immediate holding company	39	**187,560**	35,089
Borrowings	32	**188,490**	1,125,620
Corporate bonds	34	**71,117**	83,113
Convertible bonds – liability component	35	**–**	612,229
Lease liabilities	26	**858**	8,017
		593,919	2,118,094
NET (LIABILITIES) ASSETS		**(844,868)**	1,116,127

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	40	**55,983**	55,983
Reserves		**(906,601)**	1,048,221
(Deficiency) equity attributable to shareholders of the Company		**(850,618)**	1,104,204
Non-controlling interests		**5,750**	11,923
TOTAL (DEFICIENCY) EQUITY		**(844,868)**	1,116,127

The consolidated financial statements on pages 45 to 207 were approved and authorised for issue by the board of directors on 23 June 2022 and are signed on its behalf by:

Mr. Meng Guang Bao
Director

Mr. Yan Ruijie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2021	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
Loss for the year	–	–	–	–	–	–	–	–	–	(1,778,008)	(1,778,008)	(6,177)	(1,784,185)
Other comprehensive income (expense) for the year	–	–	–	67,054	–	–	–	(75)	–	–	66,979	4	66,983
Total comprehensive income (expense) for the year	–	–	–	67,054	–	–	–	(75)	–	(1,778,008)	(1,711,029)	(6,173)	(1,717,202)
Redemption of convertible bond (note 35)	–	–	–	–	–	(541,618)	–	–	–	214,355	(327,263)	–	(327,263)
Deemed contribution from disposal of subsidiaries (note 45)	–	–	–	–	–	–	58,588	–	–	–	58,588	–	58,588
Deemed contribution from the controlling company (note 39)	–	–	–	–	–	–	24,882	–	–	–	24,882	–	24,882
Balance at 31 December 2021	55,983	2,557,466	31,602	116,693	30,185	–	981,231	140	5,033	(4,628,951)	(850,618)	5,750	(844,868)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2021

	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 income (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 43)	–	–	–	–	(7,678)	–	–	–	–	7,678	–	–	–
Disposal of subsidiaries	–	–	(3,632)	–	–	–	–	–	–	3,632	–	–	–
Deemed contribution from the controlling company (note 39)	–	–	–	–	–	–	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

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 2021

	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(1,829,267)**	(1,651,474)
Adjustments for:		
Change in fair value of convertible bonds		
– derivative component	**(33)**	(4,697)
Change in fair value of investment properties	**372,744**	175,975
Change in fair value of financial assets at FVTPL	**1,929**	(936)
Change in fair value of deferred consideration	**23,498**	–
Loss (gain) on disposal of debt instruments at FVTOCI	**3,300**	(1,142)
Depreciation and amortisation of non-current assets	**120,293**	150,462
Dividend income from securities investments	**(1,294)**	(1,780)
Finance costs	**1,097,345**	898,708
Provision for litigation	**21,699**	31,574
Gain on disposal of subsidiaries	**–**	(22,393)
Amortisation of deferred income	**(451)**	–
(Reversal of) recognition of impairment loss on		
– trade receivables	**(11,220)**	13,898
– other receivables	**(7,521)**	74,858
– loan and interest receivables	**–**	11,525
– property, plant and equipment	**58,093**	114,366
– right-of-use assets	**30**	–
Impairment of goodwill	**–**	8,087
Written off of other receivables	**6,254**	–
Write-down of properties held for sale	**109,561**	117,345
Write-down of inventories	**572**	–
Interest income on bank deposits and pledged bank deposits	**(2,109)**	(8,892)
Interest income on finance lease receivables	**(1,297)**	(616)
Interest income on loan receivables	**–**	(1,537)
Gain on disposal of property, plant and equipment	**(31,363)**	(308)
Loss on early termination of lease	**111**	–
Net foreign exchange (gain) loss	**(10)**	1,721
Share of result of an associate	**(515)**	(518)
	(69,651)	(95,774)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Operating cash flows before movements in working capital		**(69,651)**	(95,774)
Decrease in properties held for sale		**194,669**	19,278
(Increase) decrease in inventories		**(54,757)**	3,040
Decrease (increase) in trade and other receivables		**215,750**	(90,562)
Decrease in loan and interest receivables		**–**	4,375
Decrease (increase) in financial assets at FVTPL		**687**	(3,018)
Increase in trade and other payables		**375,194**	129,085
Decrease in bill payables		**(30,060)**	(301,896)
(Decrease) increase in contract liabilities		**(203,431)**	10,156
Decrease in restricted bank balance		**39,178**	22,231
Cash from (used in) operations		**467,579**	(303,085)
Income tax paid		**(16,279)**	(28,678)
Interest received on finance lease receivables		**1,297**	616
Dividend received from securities investments		**1,294**	1,780
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**453,891**	(329,367)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(439,273)**	(279,252)
Proceeds from disposal of plant and equipment		**92,881**	4,818
Payment for purchase of investment properties		**(66,215)**	(100,259)
Proceeds from disposal of financial assets at FVTPL		**14,709**	30,898
Purchase of financial assets at FVTPL		**(9,201)**	(16,774)
Proceeds from disposal of debts instruments at FVTOCI		**4,255**	23,404
Purchase of debts instruments at FVTOCI		**(4,423)**	–
Purchase of other non-current asset		**(2,824)**	–
Payment for right-of-use assets		**(213)**	(15,935)
Proceeds from disposal of a right of use asset		**–**	51,905
Interest received on bank deposits		**2,109**	8,892
Release of pledged bank deposits		**37,548**	313,265
Placement of pledged bank deposits		**(1,351)**	(46,946)
Deposits paid for purchases of property, plant and equipment, right-of-use assets and properties held for investment and development		**–**	(16,522)
Net cash inflow from acquisition of subsidiaries	45	**–**	2,075
Net cash inflow from disposal of subsidiaries	45	**14,654**	293,530
Proceeds from disposal of investment properties		**–**	3,047
Repayment from a former associate		**–**	2,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(357,344)**	258,146

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Proceeds from borrowings	**2,769,814**	2,503,512
Repayment of borrowings	**(1,856,585)**	(2,465,981)
Repayment of lease liabilities	**(16,305)**	(34,570)
Interest paid	**(192,000)**	(60,762)
Government subsidy received	**2,136**	52,173
Redemption of corporate bonds	**(1,667)**	(3,419)
Proceeds from issue of corporate bonds	**–**	8,547
Redemption of convertible bonds	**(1,185,999)**	–
Advance from immediate holding company	**921,522**	1,016,964
Repayment to immediate holding company	**(599,340)**	(994,291)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(158,424)**	22,173
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(61,877)**	(49,048)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**219,083**	270,836
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(5,002)**	(2,705)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**152,204**	219,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

China Huajun 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 Victoria Place, 5th Floor, 31 Victoria Street Hamilton, Pembroke, HM10, Bermuda. The principal place of its business is Suites 903-905, 9/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The directors of the Company (the "Directors") consider that immediate holding company and ultimate holding company of the Company to be Huajun Group Limited ("HGL"), a company incorporated in Hong Kong. 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.

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 2021 the Group has capital and other commitments of RMB2,047,628,000 as disclosed in note 47 and incurred a net loss of RMB1,784,185,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net liabilities of approximately RMB844,868,000, which included principals and interest and penalty payables of approximately RMB11,017,177,000 and RMB2,248,491,000 respectively of which aggregate principals of approximately RMB9,849,889,000 are in default, therefore, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2021. Moreover, the Group is involved in a number of litigations requesting the Group to settle the defaulted loans along with interests. Subsequent to the end of the reporting period, the Group also failed to repay several tranches of borrowings with principals and interest payable of RMB973,798,000 and RMB206,933,000 respectively as at 31 December 2021. They are due for settlement in February and April 2022. Details are set out in note 32 to the consolidated financial statements. As at 31 December 2021, the Group only maintained its cash and cash equivalents of approximately RMB152,204,000.

The above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors reviewed a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period and 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) Expected proceeds from realisation of certain property investment and development projects

The Group seeks to dispose of its existing property investment and development projects (including investment properties and properties held for sale) and strive to sell them at the maximum premium in order to settle borrowings and interest payable. Specifically, the Group expects that it would be able to obtain consent from the lenders to continue the development of certain frozen property projects, and secure sufficient funding to complete the construction works including two major property projects with carrying amounts of approximately RMB3,924,600,000 and RMB1,950,400,000, respectively as at 31 December 2021, in order to sell them at approximately RMB5,000,000,000 and RMB2,800,000,000 upon completion as estimated by the Directors. Also, the Group expects that the disposal transaction relating to assets held for sale at 31 December 2021 would be completed successfully and receipts of approximately RMB137,220,000 would be collected in the next twelve months from the end of the reporting period.

(ii) Speed up the progress of property development projects

Certain of the Group's property development projects were suspended due to insufficient cash resources. Subsequent to the end of reporting period, a local authority has stepped in one of the property development projects to ensure the completion of the related project. Moreover, another local authority agreed to pay RMB100,000,000 to the contractors of another property development project such that the project could be resumed, and also offered a funding of RMB200,000,000 to the Group for payment of future construction cost. In addition, the Group is in the process of accelerating the pre-sales and sales of its properties under development.

(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 plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2022. However, should the Group fail to achieve the above mentioned plans and measures, 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 recoverable 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 following amendments to Hong Kong Financial Reporting Standards ("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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the International Financial Reporting Standards Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact 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.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs and other cost necessary to sell inventories.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendment to HKFRSs	Annual improvements to HKFRSs 2018-2020 cycle[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[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]

1 Effective for annual periods beginning on or after 1 April 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 a date to be determined.

The Directors anticipate that, except as described below, the application of other 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 a reference to HKFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). 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 2021, 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

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 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant 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 at the measurement date 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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 ownership interests in existing subsidiaries

Changes in the Group's ownership 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 interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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.

Business combinations or asset acquisitions

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 acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 acquire's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment arrangement of the acquire or the replacement of the acquire'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 recognised and 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 recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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.

The results and assets and liabilities of associates and joint ventures are accounted for in the 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, interests in associate and joint venture is initially recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

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.

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 to sell.

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)*

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 setoff 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Manufacturing and sales of printing products *(Continued)*

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.

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 setoff 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Existence of significant financing component *(Continued)*

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.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also 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.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

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.

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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management 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.

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, right-of-use assets and other non-current asset 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).

Other non-current asset with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 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 of inventories 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 fair value through profit or loss "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, fair value through other comprehensive income ("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)

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 23. 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 23.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds *(Continued)*

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

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 reserve until the conversion option is exercised in which case the balance stated in convertible bonds-equity conversion 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.

When the convertible bond is extinguished before maturity through an early redemption or repurchase where the original conversion privileges are unchanged, the consideration paid and any transaction costs for the redemption or repurchase are allocated to the liability component and equity component using the same allocation basis as when the convertible bond was originally issued. Once the allocation of consideration and transaction costs is made, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognised in equity.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds *(Continued)*

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

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.

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.

Provisions are measured at 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 and the Group intends to settle current tax liabilities and assets on a net basis.

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.

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 related to income 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

(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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

(Continued)

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 2021 was approximately RMB5,075,502,000 (31 December 2020: RMB5,159,166,000).

(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 2021 was approximately RMB7,091,240,000 (31 December 2020: RMB7,109,134,000) as set out in note 24. Write-down of properties held for sale of approximately RMB109,561,000 (31 December 2020: RMB117,345,000) was recognised for the year ended 31 December 2021.

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

Key sources of estimation uncertainty *(Continued)*

(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 2021, the carrying amount of inventories of the Group was approximately RMB285,077,000 (31 December 2020: RMB230,892,000), net of accumulated allowance for inventories of approximately RMB9,811,000 (31 December 2020: RMB9,239,000). Write-down of inventories of approximately RMB572,000 (31 December 2020: nil) was recognised for the year ended 31 December 2021.

(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. As COVID-19 pandemic continues to evolve, 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.

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

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of trade and other receivables *(Continued)*

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 44 and 27, respectively.

As at 31 December 2021, the carrying amount of trade receivables was approximately RMB237,925,000 (31 December 2020: RMB248,140,000), net of loss allowance of approximately RMB52,234,000 (31 December 2020: RMB63,487,000) are disclosed in note 27.

As at 31 December 2021, the carrying amount of deposits and other receivables was approximately RMB621,507,000 (31 December 2020: RMB998,040,000), net of loss allowance of approximately RMB86,277,000 (31 December 2020: RMB93,798,000).

(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.

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

Key sources of estimation uncertainty *(Continued)*

(f) Impairment assessment of property, plant and equipment, right-of-use assets and other non-current asset

The Group determines whether the property, plant and equipment, right-of-use assets and other non-current asset are impaired whenever there is indication of impairment presented. The impairment loss for property, plant and equipment, right-of-use assets and other non-current asset 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, right-of-use assets and other non-current asset 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 2021, the carrying values of property, plant and equipment were approximately RMB1,553,719,000 (31 December 2020: RMB2,028,418,000). An impairment loss of approximately RMB58,093,000 (31 December 2020: RMB114,366,000) has been recognised during the year ended 31 December 2021.

As at 31 December 2021, the carrying values of right-of-use assets were approximately RMB378,763,000 (31 December 2020: RMB524,993,000). An impairment loss of approximately RMB30,000 (31 December 2020: nil) has been recognised during the year ended 31 December 2021.

As at 31 December 2021, the carrying values of other non-current asset was approximately RMB2,824,000 (31 December 2020: nil). No impairment loss has been recognised during the year ended 31 December 2021.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2021						
	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	–	–	–	98,168	–	–	98,168
– printing products	508,816	–	–	–	–	–	508,816
– petrochemical and other related products	–	2,121,574	–	–	–	–	2,121,574
– properties	–	–	667,115	–	–	–	667,115
– hydraulic machinery	–	–	–	–	–	73,559	73,559
– other	–	–	–	–	–	9,370	9,370
Property management services	–	–	18,357	–	–	–	18,357
Total revenue from contracts with customers	508,816	2,121,574	685,472	98,168	–	82,929	3,496,959
Finance lease income	–	–	–	–	1,297	–	1,297
Interest income from provision of finance	–	–	–	–	1,886	–	1,886
Rental income from property investments	–	–	11,002	–	–	–	11,002
Dividend from securities investments	–	–	–	–	1,294	–	1,294
Total revenue	508,816	2,121,574	696,474	98,168	4,477	82,929	3,512,438
Geographical markets							
The PRC	190,025	2,068,229	685,472	98,168	–	82,929	3,124,823
The United States of America ("US")	179,084	–	–	–	–	–	179,084
Hong Kong	36,055	15,454	–	–	–	–	51,509
European countries	41,966	15,676	–	–	–	–	57,642
Other countries	61,686	22,215	–	–	–	–	83,901
Total	508,816	2,121,574	685,472	98,168	–	82,929	3,496,959

6. REVENUE *(Continued)*

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

	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
	For the year ended 31 December 2020						
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

* 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	
	2021	2020
	RMB'000	RMB'000
Within one year	**747,664**	1,465,885
Over one year but within two years	**393,773**	–
	1,141,437	1,465,885

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. During the year ended 31 December 2021, the Group ceased its provision of hotel services and department store business. 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 2021

	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	508,816	2,121,574	696,474	98,168	4,477	3,429,509	82,929	3,512,438
Segment loss	(29,176)	(6,188)	(550,455)	(96,630)	(12,862)	(695,311)	(17,532)	(712,843)
Unallocated amounts								
Change in fair value of convertible bonds – derivative component								33
Corporate administrative expense								(16,661)
Other gains and losses, net								(2,966)
Finance costs								(1,097,345)
Share of result of an associate								515
Group's loss before tax								(1,829,267)

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 result of an associate								518
Group's loss before tax								(1,651,474)

7. OPERATING SEGMENTS *(Continued)*

Segment revenue and results *(Continued)*

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. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2021

	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	28,188	7,532	17,851	26,364	221	80,156	16,188	934	97,278
Depreciation of right of use assets for the year	9,991	3,896	1,145	1,765	13	16,810	4,458	1,747	23,015
Additions to non-current assets during the year	34,974	2,171	190,847	151,142	2,824	381,958	273,047	3,484	658,489
Impairment loss (reversal of impairment) recognised in respect of									
– trade receivables	682	–	–	(11,902)	–	(11,220)	–	–	(11,220)
– other receivables	–	–	(7,521)	–	–	(7,521)	–	–	(7,521)
– property, plant and equipment	–	–	–	52,863	–	52,863	5,230	–	58,093
– right-of-use assets	–	–	–	–	30	30	–	–	30
(Gain) loss on disposal of property, plant and equipment	(805)	1	59	–	5	(740)	(30,623)	–	(31,363)
Provision for litigation	–	–	21,699	–	–	21,699	–	–	21,699
Loss on early termination of lease	–	–	–	–	–	–	111	–	111
Fair value loss of investment properties	–	–	372,744	–	–	372,744	–	–	372,744
Fair value loss of financial assets at FVTPL	–	–	–	–	1,929	1,929	–	–	1,929
Loss on disposal of debt instruments at FVTOCI	–	–	–	–	3,300	3,300	–	–	3,300
Interest income on bank deposits and pledged bank deposits	(274)	(826)	(384)	(558)	(56)	(2,098)	(5)	(6)	(2,109)
Written off of other receivables	–	–	–	144	4,955	5,099	1,149	6	6,254
Interest income from finance lease receivables	–	–	–	–	(1,297)	(1,297)	–	–	(1,297)
Write-down of inventories	–	572	–	–	–	572	–	–	572
Write-down of properties held for sale	–	–	109,561	–	–	109,561	–	–	109,561

7. OPERATING SEGMENTS *(Continued)*

Other segment information *(Continued)*

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)*

Segment assets and liabilities

	2021 RMB'000	2020 RMB'000
Segment assets		
Printing	**679,128**	686,949
Trading and logistics	**814,613**	513,718
Property development and investments	**12,731,754**	13,133,132
Solar photovoltaic	**657,722**	769,608
Financial services	**103,166**	145,375
	14,986,383	15,248,782
All other segments	**395,265**	1,329,908
Unallocated assets	**354,102**	413,842
Consolidated total assets	**15,735,750**	16,992,532

	2021 RMB'000	2020 RMB'000
Segment liabilities		
Printing	**921,077**	845,629
Trading and logistics	**414,826**	340,060
Property development and investments	**13,106,878**	9,867,782
Solar photovoltaic	**707,634**	907,378
Financial services	**81,428**	70,250
	15,231,843	12,031,099
All other segments	**684,194**	1,778,022
Unallocated liabilities	**664,581**	2,067,284
Consolidated total liabilities	**16,580,618**	15,876,405

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*	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**3,137,122**	3,233,750	**7,131,857**	7,900,863
The US	**179,084**	136,939	**94**	130
Hong Kong	**54,689**	39,728	**3,693**	5,909
European countries	**57,642**	44,818	**–**	–
Other countries	**83,901**	60,216	**–**	–
	3,512,438	3,515,451	**7,135,644**	7,906,902

* 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, NET

	2021 RMB'000	2020 RMB'000
Gain on disposal of property, plant and equipment	**31,363**	308
Exchange gain (loss), net	**10**	(1,721)
Loss on early termination of lease	**(111)**	–
(Loss) gain on change in fair value of financial assets at FVTPL	**(1,929)**	936
(Loss) gain on disposal of debt instruments at FVTOCI	**(3,300)**	1,142
Chanage in fair value of deferred consideration (note 36)	**(23,498)**	–
	2,535	665

9. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income on bank deposits and pledged bank deposits	**2,109**	8,892
Government subsidy (note a)	**–**	4,005
Agency fee income (note b)	**–**	27,038
Amortisation of deferred income (note 37)	**451**	–
Others (note c)	**8,030**	25,078
	10,590	65,013

Notes:

a. In 2020, 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.

b. In 2020, 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.

c. The amounts represented scrap sales from printing business and trading and logistic business.

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings and other borrowings	**1,348,798**	1,060,814
Interest on lease liabilities	**1,120**	6,065
Imputed interest arising on interest-free borrowings from immediate holding company	**5,123**	2,346
Effective interest expenses on convertible bonds (note 35)	**120,762**	125,986
Effective interest expenses on corporate bonds	**7,854**	8,407
Other finance charges	**21,206**	22,019
	1,504,863	1,225,637
Less: interest expenses capitalised into investment properties under construction/properties under development for sales/construction-in-progress (note)	**(407,518)**	(326,929)
	1,097,345	898,708

Note: The borrowing costs of general borrowings have been capitalised by applying a capitalisation rate of 10% per annum to expenditure on the qualifying assets for the years ended 31 December 2020 and 2021.

11. INCOME TAX (CREDIT) EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
Hong Kong Profits Tax	**983**	–
PRC enterprise income tax	**23,287**	4,057
PRC land appreciation tax	**9,089**	17,663
Other jurisdictions	**9**	351
	33,368	22,071
Over-provision in prior periods:		
PRC enterprise income tax	**(836)**	(1,558)
Deferred taxation (note 38)	**(77,614)**	(42,143)
	(45,082)	(21,630)

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

For the years ended 31 December 2021 and 2020, 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.

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:

	2021 **RMB'000**	2020 RMB'000
Loss before tax	**(1,829,267)**	(1,651,474)
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**(392,921)**	(364,170)
Tax effect of expenses not deductible for tax purposes	**24,385**	30,831
Tax effect of income not taxable for tax purposes	**(1,782)**	(8,393)
Tax effect of deductible temporary differences not recognised	**42,596**	89,687
Tax effect of tax losses not recognised	**269,988**	215,426
Derecognition of deferred tax assets previously recognised	**6,656**	–
Utilisation of tax losses previously not recognised	**(2,257)**	(1,116)
Over provision in respect of prior periods	**(836)**	(1,558)
PRC land appreciation tax	**9,089**	17,663
Income tax credit	**(45,082)**	(21,630)

12. ASSETS CLASSIFIED AS HELD FOR SALE

	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**2,279**	2,279
Right-of-use assets	**56,860**	56,860
Total assets classified as held for sale	**59,139**	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 approximately RMB5,200,000, the net proceeds will be approximately 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.

During the year ended 31 December 2021, the abovementioned disposal has not yet completed due to certain events which are beyond the Group's control. As the Group remains committed to the sale of a group of assets, including property, plant and equipment and right-of-use assets, and such transaction remains highly probable to complete within one year, the group of assets, including property, plant and equipment and right-of-use assets, continued to be classified as assets held for sale and were separately presented in the consolidated statement of financial position.

13. LOSS FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Loss for the year is arrived after charging (crediting):		
Directors' remuneration (note 14)	**11,755**	11,080
Staff cost, excluding Directors' remuneration:		
– Salaries, wages and other benefits	**196,178**	246,384
– Retirement benefit scheme contributions	**26,701**	14,271
Total staff costs	**234,634**	271,735
Rental income from investment properties:		
Gross rental income from investment properties	**(11,002)**	(14,069)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**912**	1,165
	(10,090)	(12,904)
Auditors' remuneration		
– Audit services	**3,190**	3,251
– Non-audit services	**5**	24
Provision for litigation	**21,699**	31,574
Cost of inventories recognised as an expense	**2,673,679**	2,584,788
Cost of properties recognised as an expense	**644,228**	772,353
Write-down of properties held for sales (included in cost of sales and services)	**109,561**	117,345
Write-down of inventories (included in cost of sales and services) (note)	**572**	–
Written off of other receivables	**6,254**	–
Depreciation for property, plant and equipment	**97,278**	102,730
Depreciation for right-of-use assets	**23,015**	47,732
Research and development expenses	**11,349**	9,280

Note: During the year ended 31 December 2021, due to the leakage of petroleum product tank in the PRC, the Directors conducted a review of the Group's inventory under trading and logistics segment and determined that a number of those inventory with carrying amounts of approximately RMB572,000 (31 December 2020: nil) were written-off and recognised as write-down of inventories.

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 2021

	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)*	–	6,450	–	15	6,465
Ms. Zhang Ye *(Chief Executive)*	–	2,263	–	54	2,317
Mr. Zhang Shifeng (Note b)	–	1,073	–	87	1,160
Mr. Yan Ruijie (Note b)	–	327	–	10	337
Ms. Huang Xiumei (Note c)	–	502	–	–	502
Ms. Bao Limin (Note d)	–	74	–	–	74
Independent Non-executive Directors					
Mr. Zheng Bailin	300	–	–	–	300
Mr. Shen Ruolei	300	–	–	–	300
Mr. Pun Chi Ping	300	–	–	–	300
	900	10,689	–	166	11,755

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

Directors and Chief Executive *(Continued)*

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 c)	–	423	–	–	423
Ms. Bao Limin (Note d)	–	110	–	–	110
Mr. Guo Song *(Deputy Chief Executive)* (Note e)	–	277	–	–	277
Mr. Zeng Hongbo (Note f)	–	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

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) Appointed on 17 June 2021.

(c) Appointed as an executive director on 27 February 2020 and resigned on 17 June 2021.

(d) Appointed as an executive director on 14 April 2020 and resigned on 17 June 2021.

(e) Resigned on 27 February 2020.

(f) Resigned 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 three (31 December 2020: two) directors whose emoluments are included in the disclosures above. The emoluments of the two (31 December 2020: three) non-directors individuals are disclosed for the current year as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other allowances	**2,105**	3,667
Retirement benefit scheme contributions	**30**	115
	2,135	3,782

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

Employees *(Continued)*

Their emoluments were within the following bands:

	No. of employee	
	2021	2020
HK$500,001 to HK$1,000,000 (equivalent to approximately RMB417,000 to RMB833,000 and RMB427,500 to RMB855,000 for the years ended 31 December 2021 and 2020 respectively)	**1**	–
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB833,001 to RMB1,250,000 and RMB855,001 to RMB1,282,000 for the years ended 31 December 2021 and 2020 respectively)	**–**	2
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,250,001 to RMB1,667,000 and RMB1,282,001 to RMB1,709,000 for the years ended 31 December 2021 and 2020 respectively)	**1**	1
	2	3

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:

	2021 **RMB'000**	2020 RMB'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company)	**(1,778,008)**	(1,573,818)

	2021	2020
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	**61,543,075**	61,543,075

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 the years ended 31 December 2021 and 2020.

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 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
Additions	4,416	46,228	1,137	1,800	455	411,311	465,347
Reclassification	–	(158)	3,164	(2,989)	(17)	–	–
Disposals	(72,563)	(11,658)	(397)	(719)	(929)	–	(86,266)
Transfer to investment properties (note 17)	(157,467)	–	–	–	–	–	(157,467)
Disposal of subsidiaries (note 45(b))	–	(15,624)	–	–	–	(612,703)	(628,327)
Exchange adjustment	6,300	7,824	190	919	100	–	15,333
At 31 December 2021	830,362	878,400	50,467	76,330	38,331	943,289	2,817,179
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 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
Provided for the year	45,808	37,979	4,812	4,707	3,972	–	97,278
Reclassification	–	(17)	651	(629)	(5)	–	–
Disposals	(11,787)	(11,641)	(199)	(608)	(513)	–	(24,748)
Disposal of subsidiaries (note 45(b))	–	(5,368)	–	–	–	–	(5,368)
Transfer to investment properties (note 17)	(51,431)	–	–	–	–	–	(51,431)
Impairment loss recognised	12,953	38,087	1,430	1,370	235	4,018	58,093
Exchange adjustment	3,817	4,813	28	749	88	–	9,495
At 31 December 2021	354,803	749,092	44,331	70,831	32,519	11,884	1,263,460
CARRYING VALUES							
At 31 December 2021	**475,559**	**129,308**	**6,136**	**5,499**	**5,812**	**931,405**	**1,553,719**
At 31 December 2020	694,233	166,549	8,764	12,077	9,980	1,136,815	2,028,418

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 2021 and 2020, 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 and right-of-use assets 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 15.47% to 15.55% (31 December 2020: 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 and right-of-use assets 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 and right-of-use assets is categorised within level 3 of the fair value hierarchy.

Based on the results of the above review, impairment losses of approximately RMB12,953,000 (31 December 2020: RMB37,185,000) were recognised on certain buildings of the solar segment of the Group. In addition, impairment losses of approximately RMB36,970,000, nil and RMB1,117,000 (31 December 2020: RMB50,287,000 and RMB20,269,000 and nil) were recognised on certain plant and machinery under the solar segment, printing segment and hotel business which is under other segment of the Group respectively. Moreover, impairment losses of approximately RMB2,940,000 and RMB4,113,000 were recognised on other fixed assets of solar segment and other segment of the Group respectively.

Property, plant and equipment with a total carrying amount of RMB499,341,000 (31 December 2020: RMB707,670,000) has been pledged to secure bill payables and borrowings of the Group as at 31 December 2021 (note 48). A land with carrying amount of approximately RMB7,314,000 (2020: nil) located in Dougguan was preserved for compulsory auction. Details are set out in note 30(a).

17. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2020	397,000	4,466,150	4,863,150
Additions	731	493,798	494,529
Disposals	(3,047)	–	(3,047)
Change in fair value of investment properties	(27,393)	(148,582)	(175,975)
Disposal through disposal of subsidiaries (note 45(b))	(19,491)	–	(19,491)
At 31 December 2020	347,800	4,811,366	5,159,166
Additions	–	183,044	183,044
Transfer from property, plant and equipment	106,036	–	106,036
Change in fair value of investment properties	(15,900)	(356,844)	(372,744)
At 31 December 2021	437,936	4,637,566	5,075,502

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

The fair values of the Group's investment properties as at 31 December 2021 and 2020, and as at the date of reclassification, have been arrived at on the basis of valuations carried out on the date by LCH (Asia-Pacific) Surveyors Limited. 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.

During the year ended 31 December 2021, the Group had transferred a property with fair value of approximately RMB106,036,000 from property, plant and equipment to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

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 2021, the Group's completed investment properties carried at fair value of approximately RMB276,300,000 (31 December 2020: RMB293,100,000) and investment properties under construction at fair value of RMB4,637,566,000 (31 December 2020: RMB4,811,366,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

As at 31 December 2021, completed investment properties at fair value of approximately RMB437,936,000 (31 December 2020: RMB347,800,000) 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 existing 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 and rental information of similar commercial properties 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 was arrived at by reference to market evidence of prices for similar properties in the same district.

As at 31 December 2021, investment properties under construction with aggregate fair values of approximately RMB4,281,566,000 (31 December 2020: RMB4,451,666,000) 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 remaining construction 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 approximately RMB356,000,000 (31 December 2020: RMB359,700,000) as at 31 December 2021, 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.

In August 2021, Yingkou Court announced an enforcement to freeze and preserve a commercial investment properties under construction located in Dalian with fair value of approximately RMB1,950,400,000 as at 31 December 2021, as a result of one of the defaulted bank borrowings.

17. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

	Level 3 RMB'000	Fair value as at 31 December 2021 RMB'000
Commercial units located in the PRC	**5,013,702**	**5,013,702**
Residential units located in the PRC	**61,800**	**61,800**
	5,075,502	**5,075,502**

	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

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 2021 and 2020 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 2021 RMB'000	31 December 2020 RMB'000				
Commercial investment properties under construction located at Minhang District, Shanghai, the PRC	**2,331,166**	2,499,666	Level 3	Residual approach	Residual approach: Market unit sale rate at RMB37,600-43,100 per square meter (31 December 2020: RMB31,500-49,400 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 RMB603,362,500 (31 December 2020: 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% (31 December 2020:10%)	A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa
Commercial 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	**1,950,400**	1,952,000	Level 3	Residual approach	Market unit sale rate at RMB17,900-19,300 (31 December 2020: RMB17,300-23,500) 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 RMB342,484,000 (31 December 2020: RMB352,500,000)	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 2020:10%)	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 2021 RMB'000	31 December 2020 RMB'000				
Completed commercial investment properties located at No.4, Sanba Square, Zhongshan District, Dalian City, Liaoning Province, the PRC	**214,500**	227,100	Level 3	Income approach	Average monthly rent at RMB61-196 per square meter (31 December 2020: RMB61-175 per square value, meter) based on existing rental contract.	A significant increase in the monthly rent would result in a significant increase in fair value and vice versa
					Market yield at 4.2%-4.6% (31 December 2020: 4%).	A slight decrease in the market yield would result in a significant increase in fair value, and vice versa
Completed commercial investment properties located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	**9,700**	10,100	Level 3	Income approach/market comparison approach	Income approach: Average monthly rent at RMB8 (31 December 2020: RMB8) per square meter based on existing rental contract	A significant increase in the monthly rent would result in a significant increase in fair value and vice versa
					Market yield: 4.0% (31 December 2020: 3.8%-7.4%)	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: RMB4,800 (31 December 2020: RMB5,000-6,000) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
Completed commercial investment properties located at the middle of Kunlun Street, Bayuguan District, Liaoning Province, the PRC	**45,900**	44,600	Level 3	Income approach/market comparison approach	Income approach: Average monthly rent at RMB13-83 (31 December 2020: RMB27) per square meter based on existing 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 7.4% (31 December 2020: 6.4%-7.4%)	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 RMB7,000 (31 December 2020: RMB6,000) 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 2021 RMB'000	31 December 2020 RMB'000				
Completed residential investment properties located in Shenzhen City, Guangdong Province, the PRC	**61,800**	66,000	Level 3	Income approach/Market comparison approach	Income approach: Average monthly rent at RMB102-110 (31 December 2020: 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 3.0% (31 December 2020: 4.2%)	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 from RMB34,900 to RMB35,900 (31 December 2020: RMB37,500 to RMB38,600) 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 investment properties under construction located at Ganjingzi District, Dalian City, Liaoning Province, the PRC	**356,000**	359,700	Level 3	Market comparison approach	Market unit sale rate from RMB520 to RMB5,610 (31 December 2020: 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
Completed industrial investment properties located at Jiangsu, the PRC	**106,036**	–	Level 3	Market comparison approach	Market unit rate at RMB1,700-3,000 (31 December 2020: nil) per square meter	A significant increase in the market unit sale rate would result in a significant increase in fair value, and vice versa
	5,075,502	5,159,166				

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 year and prior years.

18. GOODWILL

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 31 December 2021	13,933
IMPAIRMENT	
At 1 January 2020	5,846
Impairment loss recognised during the year	8,087
At 31 December 2020 and 31 December 2021	13,933
CARRYING VALUE	
At 31 December 2021	–
At 31 December 2020	–

For the purpose of impairment testing, goodwill have been allocated to an individual CGU, under financial services business. The goodwill was fully impaired during the year ended 31 December 2020.

19. OTHER NON-CURRENT ASSET

	RMB'000
COST	
At 1 January 2020 and 31 December 2020	–
Additions	2,824
At 31 December 2021	2,824

The balance represented a membership in a private club in Hong Kong. The membership has indefinite useful life.

As at 31 December 2021, the membership of approximately RMB2,824,000 (31 December 2020: nil) are stated at cost less accumulated impairment at the end of the reporting period. The Directors assessed for the impairment of the membership based on recent market prices of the identical membership. For the year ended 31 December 2021, no impairment loss has been recognised.

20. INTEREST IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Cost of investment in an associate	**18,000**	18,000
Share of post-acquisition profits and other comprehensive income	**12,246**	11,731
Total	**30,246**	29,731

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
			2021	2020	**2021**	2020	
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

21. INTEREST IN A JOINT VENTURE

	2021 RMB'000	2020 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
			2021	2020	**2021**	2020	
Nanjing Bao Heng Real Estate Development Co., Ltd. (note)	PRC	PRC	**51%**	51%	**50%**	50%	Inactive

Note:

On 26 April 2019, Huajun Properties Group Limited, an indirectly 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. No changes on the cooperation framework was noted for the years ended 31 December 2020 and 2021.

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 2021 (31 December 2020: nil).

22. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT

	2021 RMB'000	2020 RMB'000
Deposits for purchases of:		
– Plant and machineries	**40,959**	62,680
Analysis as:		
Non-current	**40,959**	62,680

As at 31 December 2021, the carrying amount of deposits for purchases or modification of plant and machineries includes:

(a) Deposits totalling of approximately RMB9,407,000 (31 December 2020: RMB32,063,000) for purchases of the machineries and other equipment, which will be used in printing segment and solar photovoltaic segment in the PRC.

(b) Deposits totalling of approximately RMB23,247,000 (31 December 2020: RMB30,617,000) for purchases or modification of several production lines and the relevant equipment, which will be used in its manufacturing of solar photovoltaic segment and printing segment.

(c) Deposits totalling of approximately RMB8,305,000 (2020: nil) for construction project for plants and properties which will be used in printing segment and trading and logistic segment in the PRC.

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

	2021 RMB'000	2020 RMB'000
Listed equity securities, at fair value (note a)	**8,667**	6,766
Listed fund investments, at fair value (note b)	**4,068**	3,769
Unlisted fund investment, at fair value (note c)	**23,001**	28,998
Listed bond investments, at fair value (note d)	**–**	3,282
Total	**35,736**	42,815

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

Classified as:

	2021 RMB'000	2020 RMB'000
Financial assets mandatorily measured at FVTPL	**35,736**	39,533
Debt instruments at FVTOCI	**–**	3,282
Total	**35,736**	42,815

Analysed as:

	2021 RMB'000	2020 RMB'000
Financial assets mandatorily measured at FVTPL		
Listed in Hong Kong	**8,667**	6,766
Listed in overseas	**4,068**	3,769
Unlisted in overseas	**23,001**	28,998
	35,736	39,533
Current	**12,735**	10,535
Non-current	**23,001**	28,998
Total	**35,736**	39,533
Debt instruments at FVTOCI		
Listed in overseas	**–**	3,282
Non-current	**–**	3,282

23. 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 44(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 44(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 44(c)).

(d) During the year ended 31 December 2021, the Group has disposed bond investments at consideration of approximately RMB4,255,000 (31 December 2020: RMB23,404,000) and the cumulative fair value loss of approximately RMB3,300,000 (31 December 2020: gain of RMB1,142,000) is reclassified from investment revaluation reserve to profit or loss.

As at 31 December 2020, the effective interest rate of these listed bond investments is at 8.8%, (2021: nil) per annum. The fair value of listed bond investments was measured at Level 1 fair value measurement (as defined in note 44(c)).

24. PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Completed properties held for sale	**2,201,029**	2,273,059
Properties under development for sale	**4,890,211**	4,836,075
	7,091,240	7,109,134
Properties to be realised after one year	**1,713,406**	4,830,916

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 2021 and 2020, all of the above land and properties are situated in the PRC under medium or long-term leases.

As at 31 December 2021, properties held for sale with a total carrying amount of approximately RMB5,953,809,000 (31 December 2020: RMB5,649,364,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

During the year ended 31 December 2021, a write-down on properties held for sales to their net realisable value amounted to approximately RMB109,561,000 (31 December 2020: RMB117,345,000) was recognised in profit or loss.

25. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**59,306**	56,164
Work in progress	**18,817**	15,115
Finished goods	**206,954**	159,613
	285,077	230,892

As at 31 December 2021, inventories with a total carrying amount of approximately RMB10,000,000 (2020: RMB10,036,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

26. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2021	2020
	RMB'000	RMB'000
Land	**340,638**	479,898
Buildings	**8,342**	12,794
Plant and machinery	**29,813**	32,301
Less: Accumulated impairment	**(30)**	–
	378,763	524,993

At 31 December 2021, right-of-use assets of approximately RMB340,638,000 (31 December 2020: RMB479,898,000) represents land use rights located in the PRC. At 31 December 2021, right-of-use assets in respect of land use rights amounting to approximately RMB246,466,000 (31 December 2020: RMB299,274,000) 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.

Additions to the right-of-use assets for the year ended 31 December 2021 amounted to approximately RMB7,061,000 (31 December 2020: RMB11,332,000) and RMB213,000 (31 December 2020: nil) representing new leases of buildings in Hong Kong and new land use right located in the PRC respectively.

During the year ended 31 December 2021, 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 and impairment loss of approximately RMB30,000 (31 December 2020: nil) was recognised on leased plant and machinery of the financial services segment of the Group and details are listed in note 16.

During the year ended 31 December 2021, the Group disposed of land use rights of approximately RMB129,138,000 upon the disposal of subsidiaries as disclosed in note 45(b). 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 and no gain or loss on the disposal was recognised.

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

(ii) Lease liabilities

	2021 **RMB'000**	2020 RMB'000
Non-current	**858**	8,017
Current	**10,943**	14,238
	11,801	22,255

	2021 **RMB'000**	2020 RMB'000
Amounts payable under lease liabilities		
Within one year	**10,943**	14,238
In more than one year but not more than two years	**858**	8,017
	11,801	22,255
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(10,943)**	(14,238)
Amounts due for settlement after 12 months	**858**	8,017

As at 31 December 2021, the lease liabilities in respect of leased plant and machinery under hire purchase agreements amounted to approximately RMB3,269,000 (31 December 2020: RMB10,562,000) was secured by the lessor's title to the leased assets.

During the year ended 31 December 2021, the Group entered into a number of new lease agreements in respect of renting properties and plant and machinery and recognised lease liability of approximately RMB7,061,000 (31 December 2020: RMB11,332,000).

During the year ended 31 December 2021, the Group terminated lease agreements in respect of retail department store and derecognised lease liabilities of approximately RMB1,210,000 with a loss on early termination of lease of approximately RMB111,000 (31 December 2020: nil).

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

(iii) Amounts recognised in profit or loss

	2021 **RMB'000**	2020 RMB'000
Depreciation expense on right-of-use assets		
– Land	**10,292**	18,982
– Buildings	**10,192**	25,465
– Plant and machinery	**2,531**	3,285
	23,015	47,732
Interest expense on lease liabilities	**1,120**	6,065
Expense relating to short-term leases	**854**	780

(iv) Others

During the year ended 31 December 2021, the total cash outflow for leases amount to approximately RMB18,492,000 (31 December 2020: RMB57,350,000).

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables (note a)		
– goods and services	**290,159**	311,627
Less: allowance for credit losses	**(52,234)**	(63,487)
	237,925	248,140
Deposits and other receivables (note b)	**707,784**	1,091,838
Less: allowance for credit losses	**(86,277)**	(93,798)
	621,507	998,040
Prepayments (note c)	**139,695**	147,058
Total	**999,127**	1,393,238
Analysis as:		
– Current	**945,496**	1,291,324
– Non-current	**53,631**	101,914
Total	**999,127**	1,393,238

As at 1 January 2020, the gross amount of trade receivables from contracts with customers amounted to RMB292,288,000.

At as 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB290,159,000 (31 December 2020: RMB311,627,000).

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.

27. 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.

	2021	2020
	RMB'000	RMB'000
0 – 30 days	**133,297**	153,206
31 – 90 days	**73,359**	57,570
91 – 180 days	**18,989**	26,936
Over 180 days	**12,280**	10,428
	237,925	248,140

As at 31 December 2021, total bills received amounting to approximately RMB24,614,000 (31 December 2020: RMB75,537,000) 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 44(b).

Details of impairment assessment of trade and other receivables as at 31 December 2021 and 2020 are set out in note 44(b).

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

Notes:

(a) Transfers of financial assets

As at 31 December 2021, the total bills receivables represent bills endorsed to suppliers and other creditors on a full recourse basis that are not yet due amounting to approximately RMB15,666,000 (31 December 2020: RMB63,734,000). 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 2021

	Bills received endorsed with full recourse RMB'000	**Total RMB'000**
Carrying amount of transferred assets	**15,666**	**15,666**
Carrying amount of associated liabilities	**(15,666)**	**(15,666)**
Net 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	–	–

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

Notes: *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Deposits paid to/for		
– PRC real estate bureau for change in use of land	**20,000**	20,000
– Rental deposits paid	**2,174**	1,604
– Acquisition of additional interest of a subsidiary (note i)	**–**	46,000
– Acquisition of a property project and prepaid procurement fee (note ii)	**340,000**	340,000
– Others	**1,314**	11,559
Other receivables from:		
– Receivables from disposal of an investment property (note iii)	**11,772**	11,772
– Others (note iv)	**113,575**	152,112
– Consideration receivable (note v)	**–**	242,799
– Receivables from a litigation (note vii)	**2,334**	–
Other taxes receivables (note vi)	**216,615**	265,992
	707,784	1,091,838
Less: allowance for credit losses	**(86,277)**	(93,798)
	621,507	998,040

Notes:

(i) Huajun Properties Group Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional acquisition agreement with the non-controlling shareholder of Huajun Properties (Jiangyin) Co., Ltd. ("Jiangyin Properties"), a 70% indirectly owned subsidiary of the Company, to acquire its 30% equity interests in Jiangyin Properties, at nil consideration along with the settlement of debts due by Jiangyin Properties to the non-controlling shareholder of approximately RMB154,191,000.

As at 31 December 2020, deposit amounting to RMB46,000,000 was paid by the Group and will be applied to satisfy part of the debts. During the year ended 31 December 2021, the debts were fully settled and the deposit was transferred to repay part of the debts.

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

Notes: *(Continued)*

(b) *(Continued)*

(ii) As at 31 December 2021, 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 bank deposit or equivalent assets held by the counterparty for approximately RMB400,000,000. On 6 September 2021, the Yingkou Intermediate People's Court handed down the judgement which counterparty is required to refund all deposit paid to the Company. And on 26 September 2021, the counterparty filed an objection on the original verdict. Up to the date of these consolidated financial statements, no further hearing was scheduling by the court arranged and no court order was finalised.

A lifetime ECL of approximately RMB51,982,000 (2020: RMB71,400,000) has been provided in respect of the receivable balance.

As the loss of default decreased in 2021, the lifetime ECL of approximately RMB19,418,000 was reversed during the year ended 31 December 2021 as a result of the change on default rate.

(iii) The amount represented receivable from disposal of certain property units to an independent third party in prior years. The Directors consider that the entire balance is credit impaired and full impairment loss was recognised in the year ended 31 December 2020.

(iv) The amount mainly represented receivables from other debtors arising from daily operations. A 12-months ECL of approximately RMB966,000 (2020: RMB7,802,000) and a lifetime ECL of approximately RMB21,577,000 (2020: nil) have been provided in respect of the receivable balance. The ECL of approximately RMB6,836,000 was reversed during the year ended 31 December 2021.

(v) As at 31 December 2020, gross amount of consideration receivables of approximately RMB242,799,000 represented receivables from disposal of subsidiaries taken place (note 45(b)). A 12-month ECL of approximately RMB2,824,000 was provided taking into account the past relationship of the Group with the counterparty during the year ended 31 December 2020. The balance fully recovered and the ECL of approximately RMB2,824,000 was reversed during the year ended 31 December 2021.

(vi) The amount mainly represented value-added tax arising from the receipts in advance on properties pre-sold under the Group's property development and investment business. As at 31 December 2021, other tax receivables amounting to approximately RMB53,631,000 (31 December 2020: RMB55,914,000) is expected to realise after one year and accordingly classified as non-current assets.

(vii) The amount represented penalty receivables in respect of trade dispute with a supplier of printing segment. The penalty receivable was included in other income for the year ended 31 December 2021. In October 2021, an order was granted by Dongguan District Court to freeze and preserve all assets of counterparty.

Details of impairment assessment of deposits and other receivables as at 31 December 2021 and 2020 are set out in note 44(b).

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

Notes: *(Continued)*

(c) Detailed analysis for prepayments is as follow:

	2021 RMB'000	2020 RMB'000
Prepayments to suppliers, in respect of:		
– solar photovoltaic business	**358**	358
– printing	**–**	8,384
– petrochemical and other related products	**67,586**	65,631
– property development	**21,140**	13,390
– others	**5,410**	10,634
Deemed prepayments to subcontractors for properties held for sale (note)	**34,746**	34,746
Other prepayments	**10,455**	13,915
	139,695	147,058

Note:

During the year ended 31 December 2021, none of construction cost payables to the subcontractors was set off against the prepayment (31 December 2020: RMB2,131,000).

28. LOAN AND INTEREST RECEIVABLES

	2021 RMB'000	2020 RMB'000
Loan receivables	**10,000**	10,000
Interest receivables	**1,525**	1,525
	11,525	11,525
Less: allowance for impairment	**(11,525)**	(11,525)
	–	–

28. LOAN AND INTEREST RECEIVABLES *(Continued)*

The movement in the allowance for impairment of loan receivables (credit-impaired) is set out below:

	2021 **RMB'000**	2020 RMB'000
At the beginning of the year/period	**11,525**	–
Impairment losses recognised	**–**	11,525
	11,525	11,525

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 2021 and 2020, certain loan receivables were secured by collaterals provided by customers. The loan receivables carry interest of 15% (31 December 2020: 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 2021 and 2020 are set out in note 44(b).

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

As at 31 December 2021, bank balances comprised of time deposits with maturity less than three months and carry fixed interest rate of 2.6% (31 December 2020: 2.6%) per annum. The remaining bank balances carry interest at prevailing market rates which ranged from 0.3% to 2.5% (31 December 2020: 0.3% to 2.5%) per annum.

Pledged bank deposits represented deposits pledged to banks to secure bill payables and borrowings to the Group. The deposits are carrying fixed interest rate ranged from 0.35% to 1.95% (31 December 2020: 0.35% to 1.95%) per annum. The pledged bank deposits will be released upon the repayment of relevant bill payables and borrowings.

29. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/ RESTRICTED BANK BALANCES *(Continued)*

The restricted bank balances represented bank balances that are frozen due to default of bank borrowings and ongoing court cases. Out of the balances, approximately RMB7,700,000 (31 December 2020: RMB40,778,000) was frozen from the default of bank borrowings while the remaining balance of RMB6,100,000 at 31 December 2020 was frozen due to the ongoing legal cases.

During the year ended 31 December 2021, approximately RMB39,178,000 of restricted bank balance was released in respect of the settlement of certain court cases. On the other hand, approximately RMB11,278,000 and RMB26,270,000 of pledged bank deposits was released upon the settlement of defaulted bank borrowings and court case respectively.

As at 31 December 2021, pledged bank deposits and restricted bank balances of approximately RMB10,749,000 and RMB7,700,000 (31 December 2020: RMB46,946,000 and RMB46,878,000) have been pledged to secure bill payables and borrowings of the Group (note 48).

Details of impairment assessment of bank balances and pledged bank deposits as at 31 December 2021 and 2020 are set out in note 44(b).

30. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Trade payables	**294,866**	330,087
Construction payables	**405,857**	242,605
	700,723	572,692
Accrued construction cost	**149,716**	258,706
Deposits received (note a)	**50,198**	50,423
Other payables (note b)	**2,574,145**	1,350,158
Other accruals	**162,149**	142,316
	3,636,931	2,374,295

30. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

(Continued)

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

	2021 RMB'000	2020 RMB'000
0 – 30 days	**161,775**	243,480
31 – 90 days	**42,400**	39,821
91 – 365 days	**329,317**	194,937
Over 365 days	**167,231**	94,454
	700,723	572,692

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 2021, the bills amounted to approximately RMB15,666,000 (31 December 2020: RMB63,734,000) endorsed to the suppliers for which the maturity dates have not yet been due continue to be recognised as trade payables.

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

Notes:

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

	2021 **RMB'000**	2020 RMB'000
Rental deposit received	**198**	423
Deposit received for a joint property development project (Note)	**50,000**	50,000
	50,198	50,423

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 was applied for retrial to the Supreme People's Court.

On 7 June 2021, the Supreme People's Court dismissed the retrial and handed down same result in final judgement. On 24 August 2021, the Supreme People's Court freezed and preserved a land of carrying amount of approximately RMB7,314,000 located in Dongguan for compulsory auction. The highest bidder, namely Dongguan Zhiyuan Industrial Investment Co., Ltd*, filed an appeal on 30 October 2021 for the cancellation of the transaction at the consideration of approximately RMB250,000,000 due to the land appreciation tax incurred. On 15 December 2021, the Supreme People's Court requested the bidder to settle all consideration of the transaction and no cancellation is allowed.

The Group has a provision of RMB80,000,000 (31 December 2020: RMB80,000,000) in respect of the damages in the consolidated financial statements and included under other accruals.

* English name for reference only

30. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

(Continued)

Notes: *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Other tax payables	**53,713**	51,976
Interest and penalty payables	**2,248,491**	1,096,982
Others	**271,941**	201,200
	2,574,145	1,350,158

31. 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:

	2021 RMB'000	2020 RMB'000
0 – 30 days	**8,210**	51,803
31 – 60 days	**–**	2,000
Over 60 days	**9,191**	374,270
	17,401	428,073

All bill payables are secured by the assets as disclosed in note 48.

32. BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings	**5,071,050**	4,248,341
Other borrowings from financial institutions	**5,687,000**	5,687,000
Other borrowings from non-controlling shareholders	**153,147**	274,607
Other borrowing	**105,980**	–
	11,017,177	10,209,948
Secured	**10,763,050**	9,904,341
Unsecured	**254,127**	305,607
	11,017,177	10,209,948
Carrying amount repayable based on repayment schedule:		
Within one year	**10,828,687**	9,084,328
In more than one year but not more than two years	**109,490**	1,125,620
In more than two years but not more than five years	**79,000**	–
	11,017,177	10,209,948

The exposure of the Group's borrowings and the contractual maturity dates (or reset dates) are as follows:

	2021 RMB'000	2020 RMB'000
Variable-rate borrowings:		
Within one year	**31,796**	32,000
Fixed-rate borrowings		
Within one year	**10,796,891**	9,052,328
In more than one year but not more than two years	**109,490**	1,125,620
In more than two years but not more than five years	**79,000**	–
	11,017,177	10,209,948

32. BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021 **RMB'000**	2020 RMB'000
Effective interest rate:		
– Fixed-rate borrowings	**4.4% – 20.0%**	4.4% – 12.0%
– Variable-rate borrowings	**6.41%**	2.5% – 3.0%

(a) As at 31 December 2021 and 2020, 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 44(b).

(b) During the year ended 31 December 2021, the Group has obtained several tranches of borrowings amounted to RMB2,358,844,000 (31 December 2020: RMB2,361,510,000) from Liaoshen Bank Co., Ltd ("Liaoshen Bank") (formerly known as Yingkou Coastal Bank Co., Ltd. ("Yingkou Coastal Bank")) and renewed certain bank borrowings amounted to RMB193,490,000 from other commercial banks. As at 31 December 2021, the total outstanding principal amount of approximately RMB9,849,889,000 (31 December 2020: RMB2,129,059,000) was in default and details of material defaulted borrowings are set out below.

(c) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000 (31 December 2020: RMB157,000,000) as at 31 December 2021, 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.

* English name for reference only

32. BORROWINGS *(Continued)*

(c) *(Continued)*

On 7 January 2020, Shanghai Linyi further filed a claim to Shanghai Financial Court* against Baohua Jiangsu, Huajun Properties (Yangzhou) Co., Ltd.* (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 Financial Court. The Shanghai High Court rejected the appeal from the Group and the execution notice had been released on 8 July 2021. Up to the date of these consolidated financial statements, the Group filed another appeal to the Shanghai Financial Court and no update on the appeal result.

As at 31 December 2021, the entire outstanding borrowing of RMB157,000,000 (31 December 2020: RMB157,000,000) was classified as current liabilities and outstanding interest of RMB3,040,000 (31 December 2020: RMB3,040,000) and provision for penalty interest of approximately RMB82,966,000 (31 December 2020: RMB44,763,000) based on an interest rate at 24% per annum were included under other payables.

(d) In respect of a borrowing with an outstanding principal of RMB1,440,000,000 (31 December 2020: RMB1,440,000,000) as at 31 December 2021, 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* ("Baohua Shanghai"), an indirect wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd. ("Baohua Real Estate Dalian") , the Group's investment properties and properties held for sale with carrying value of approximately RMB2,331,166,000 and RMB1,593,434,000 (2020: RMB2,499,666,000 and RMB1,593,434,000) as at 31 December 2021 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 9 June 2020, China Great Wall issued a payment notice and demanded repayment of the principals of RMB1,440,000,000 and penalty interest immediately.

* English name for reference only

32. BORROWINGS *(Continued)*

(d) *(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 of immediate repayment on the principal and all outstanding interest. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 10 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. In July 2021, the Shanghai Financial Court released a judgment to reject the application for non-enforcement and an application for review of judgement was submitted. The Company is currently seeking legal advice on the enforcement. As at 31 December 2021, the entire outstanding borrowing of RMB1,440,000,000 (31 December 2020: RMB1,440,000,000) was classified as current liabilities and outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB434,421,000 (31 December 2020: RMB209,581,000) were included in other payables.

32. BORROWINGS *(Continued)*

(e) In respect of a borrowing with an outstanding principal of RMB31,796,000 (31 December 2020: RMB32,000,000), the Group breached the repayment terms of which the entire loan principal of RMB31,796,000 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 and the penalty interest and compound interest shall be calculated at 8.34% per annum. 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. On 11 May 2021, the Shenzhen Futian District People's Court handed down the judgement of appeal which withhold the original verdict. On 9 June 2021, an enforcement notice was received. Subsequent to the end of the reporting period, certain investment properties of the Group pledged for the loan were enforced to judicial auction and certain properties have been sold for approximately RMB9,286,000.

As at 31 December 2021, the entire outstanding bank borrowing of RMB31,796,000 (31 December 2020: RMB32,000,000) was classified as current liabilities and its outstanding interest of RMB108,000 (31 December 2020: RMB108,000) and penalty interest and compound interest of approximately RMB4,227,000 (31 December 2020: RMB1,952,000) based on the judgement rate at 8.34% (31 December 2020: 8.34%) per annum was included in other payables.

(f) In respect of a borrowing with an outstanding principal of RMB4,247,000,000 (31 December 2020: 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 2021, the entire outstanding principal of RMB4,247,000,000 (31 December 2020: RMB4,247,000,000) was classified as current liabilities and outstanding interest of approximately RMB821,340,000 (31 December 2020: RMB385,332,000) and penalty interest of approximately RMB112,691,000 (31 December 2020: RMB14,353,000) based on contractual terms was included in other payables. The borrowing is secured by properties held for sale with carrying amount of RMB2,592,907,000 as at 31 December 2021. The Group is currently negotiating with the lender on renewal or revised repayment schedule of the borrowing and the local authority has stepped in the pledged property project in order to ensure its completion. No legal claims have been issued by the lender.

* English name for reference only

32. BORROWINGS *(Continued)*

(g) In respect of a borrowing with an outstanding principal of RMB2,658,800,000 (31 December 2020: RMB300,000,000), the Group has not repaid the entire outstanding principal. The loan was granted by Liaoshen Bank to Huajun Properties (Dalian) Company Limited ("Huajun Properties (Dalian)"), an indirect 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 RMB2,658,800,000 together with any unpaid interest. On August 2021, Liaoshen Bank filed claims to Yingkou Court against Huajun Properties (Dalian) and an order was granted by the Yingkou Court to freeze and preserve the Dalian Office Complex. The first hearing for claims has been held on 23 November 2021 and Yingkou Court handed down a judgement to demand Huajun Properties (Dalian) to repay the outstanding principal and relevant interest.

As at 31 December 2021, the entire outstanding bank borrowing of RMB2,658,800,000 (31 December 2020: RMB300,000,000) was classified as current liabilities and its outstanding interest of RMB122,548,000 (31 December 2020: RMB4,650,000) and penalty interest and compound interest of approximately RMB10,050,000 (31 December 2020: RMB1,050,000) at a rate of 3% per annum based on the Yingkou Court's judgement were included in other payables.

(h) In respect of a borrowing with an outstanding principal of RMB56,700,000, the Group has not repaid the entire outstanding principal and in default since 4 September 2021. The loan was granted by Liaoshen Bank to Huajun Power Technology (Jiangsu) Co., Ltd., an indirect wholly-owned subsidiary of the Company. On 7 December 2021, an order was granted by Yingkou West District Court to freeze and preserve two solar photovoltaic production lines. No further hearing was arranged and no court order was finalised up to the date of consolidated financial statements.

As at 31 December 2021, the entire outstanding bank borrowing of RMB56,700,000 (31 December 2020: RMB56,700,000) was classified as current liabilities and outstading interest of approximately RMB5,406,000 (31 December 2020: RMB4,006,000) based on contractual terms was included in other payables.

(i) In respect of a borrowing with outstanding principal of RMB105,980,000 (31 December 2020: nil) from a private company incorporated in Hong Kong, the Group breached the repayment terms of which the outstanding principal of RMB105,980,000 (31 December 2020: nil) was classified as current liabilities and outstanding interest and penalty interest of approximately RMB15,970,000 (31 December 2020: nil) were included in other payables. Subsequent to the end of the reporting period, the Company has entered into a deed with the lender to provide further collaterals including an investment property located in Shenzhen, a land located in Dongguan, corporate guarantees of two subsidiaries of the Company and equity pledged of a subsidiary. Both counterparties agreed not to demand for repayment until 28 July 2022.

32. BORROWINGS *(Continued)*

(j) In respect of a borrowing with an outstanding principal of RMB199,659,000 (31 December 2020: 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 borrowing 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 and was guaranteed by Huajun Power Group Co., Ltd. and the Company. In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court* against Huajun Changzhou. The first hearing for claims was held in December 2021 and January 2022. Subsequent to the end of reporting period, the Changzhou Intermediate Court has handed down a judgement to demand Huajun Changzhou to repay all outstanding principal and relevant interest.

As at 31 December 2021, the entire outstanding bank borrowing of approximately RMB199,659,000 (31 December 2020: RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB28,963,000 (31 December 2020: RMB8,194,000) were included under other payables.

(k) The Group has several tranches of borrowings from Liaoshen Bank of which an aggregate loan principal of RMB489,900,000 due in February 2022 and RMB483,898,000 due in April 2022. The loans were granted to New Island Printing (Liaoning) Limited*, Huajun Power (Jiangsu) Co., Limited* and Guofu Minfeng (Yingkou) Limited*, wholly-owned subsidiaries of the Company. Up to the date of these consolidated financial statements, the Group has not repaid the entire outstanding principal and interest payable and they are in default. Pursuant to the terms of the loan agreements, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of approximately RMB973,798,000 and interest payable of RMB206,933,000 respectively as at 31 December 2021.

* English name for reference only

33. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Sales of		
– properties (note a)	**1,137,815**	1,360,579
– petrochemical and other related products (note b)	**147,541**	130,125
– printing products (note c)	**1,917**	–
	1,287,273	1,490,704

As at 1 January 2020, contract liabilities amounted to approximately RMB1,513,556,000.

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 approximately RMB664,893,000 (31 December 2020: RMB518,689,000) that was included in the contract liabilities balance at the beginning of the period.

The Group receives almost full amount 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.

During the years ended 31 December 2021 and 2020, due to the insignificant difference between the amount of promised consideration and the cash selling price of completed units by reference to the expected timing in delivery of completed units to customers, the amount of advance payments during the years is not adjusted for the effects of the time value of money taking into consideration the credit characteristic if the relevant group entities.

As at 31 December 2021, one of the construction projects located in the PRC was postponed and the expected timing of recognising contract liabilities as revenue extended to over one year.

As at 31 December 2021 and 2020, the expected timing of recognising contract liabilities as revenue are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**873,475**	1,360,579
Over one year but within two years	**264,340**	–
	1,137,815	1,360,579

33. 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 approximately RMB130,125,000 (31 December 2020: RMB148,871,000) 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 2021 and 2020 are expected to be recognised as revenue within one year.

(c) When the Group receives a deposit before the customer receive the printing and other related products from the Group, 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.

34. CORPORATE BONDS

The corporate bonds are interest bearing at the rate of 5% to 6.5% (31 December 2020: 5% to 6.5%) per annum, payable semi-annually or annually in arrear and repayable as follow:

	2021	2020
	RMB'000	RMB'000
Within one year	**12,657**	1,699
More than one year but not more than two years	**2,445**	12,156
More than two years but not more than five years	**68,672**	70,957
	83,774	84,812
Analysed for reporting purpose:		
– Current liabilities	**12,657**	1,699
– Non-current liabilities	**71,117**	83,113
	83,774	84,812

The effective interest rate of the corporate bonds for the year ended 31 December 2021 is ranged from 7.6% to 12.2% (31 December 2020: 7.6% to 12.6%) per annum.

All corporate bonds are denominated in HK$. No overdue corporate bond was noted.

35. CONVERTIBLE BONDS

There are no convertible bonds issued and outstanding as at 31 December 2021. Details of the convertible bonds issued by the Group and outstanding as at 31 December 2020 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	Nil (31 December 2020: HK$205,200,000)	HGL	1.50%	27 June 2024	HK$38	5,400,000
27 June 2019	Nil (31 December 2020: HK$1,000,000,000)	HGL	1.50%	26 June 2024	HK$38	26,315,789
24 January 2018	Nil (31 December 2020: HK$76,000,000)	Pu Shi International Investment Limited	10.00%	23 January 2021	HK$34	1,941,176
24 January 2018	Nil (31 December 2020: HK$130,000,000)	Wonderland International Financial Holdings Limited	10.00%	23 January 2021	HK$34	3,823,529
24 January 2018	Nil (31 December 2020: HK$12,000,000)	Wisebrain Holdings Limited	10.00%	23 January 2021	HK$34	352,941

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.

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.

35. CONVERTIBLE BONDS *(Continued)*

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.

During the year ended 31 December 2021, 2018 convertible bonds with aggregate principal amount of HK$218,000,000 (equivalent to approximately RMB181,667,000) were matured on 23 January 2021 and redeemed by the Company. In June 2021, the Company early redeemed the two tranches of 2019 Convertible Bonds with aggregate principal amount of approximately HK$1,205,200,000 (equivalent to approximately RMB1,004,332,000). The consideration paid to early redeem 2019 Convertible Bonds was allocated to (i) liability component of approximately RMB677,069,000 determined using an interest rate of 15.68% at the date of redemption, resulting in a loss relating to liability component of approximately RMB67,912,000 and included in finance cost for the year ended 31 December 2021 and (ii) convertible bonds – equity conversion reserve of approximately RMB327,263,000, with the resulting balance of approximately RMB214,355,000 reclassified to accumulated losses upon redemption.

35. 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** RMB'000
At 1 January 2020	776,973	4,942	781,915
Interest charged (note 10)	125,986	–	125,986
Interest paid	(24,717)	–	(24,717)
Change in fair value	–	(4,697)	(4,697)
Exchange adjustment	(72,078)	(212)	(72,290)
At 31 December 2020 and 1 January 2021	806,164	33	806,197
Redemption of convertible bonds	(858,736)	–	(858,736)
Interest charged (note 10)	120,762	–	120,762
Interest paid	(34,628)	–	(34,628)
Change in fair value	–	(33)	(33)
Exchange adjustment	(33,562)	–	(33,562)
At 31 December 2021	–	–	–

	Liability component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
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

The fair value of conversion option derivatives are measured at Level 3 fair value measurement (as defined in note 44(c)).

	Fair value		**Fair value hierarchy**	**Valuation technique**	**Significant unobservable inputs**	**Relationship of significant unobservable inputs to fair value**
	2021 RMB'000	2020 RMB'000				
Conversion option derivatives	**Nil**	33	Level 3	Binomial model	Volatility of 60% for the year ended 31 December 2020	The higher the volatility, the higher the fair value

36. 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. ("Huajun Properties Liaoning") 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. 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 non-cash consideration was reduced from RMB95,000,000 to RMB51,020,000 as at 31 December 2020.

For the year ended 31 December 2021, the remaining non-cash consideration was increased from approximately RMB51,020,000 to RMB74,518,000 based on the Directors' best estimation of the value of property units with reference to an independent professional valuation to settle the present obligation as at 31 December 2021. The Group recognised the increase in fair value on deferred consideration in profit or loss.

The project was expected to complete in 2021 originally while the construction was under final acceptance stage up to the date of issuance of these consolidated financial statements. The management expected the residual unit can be handed over after the issuance of permit from local authority. Therefore, deferred consideration continues to be classified as a current liability as at 31 December 2021 and 2020.

37. DEFERRED INCOME

During the year ended 31 December 2021, the Group received government subsidy totalling of approximately RMB2,136,000 (31 December 2020: RMB52,173,000) 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. During the year ended 31 December 2021, approximately RMB23,491,000 was derecognised upon disposal of subsidiaries (note 45(b)).

As at 31 December 2021, government subsidy of approximately RMB130,696,000 (31 December 2020: RMB155,664,000) is not amortised because the related plant and equipment are still under construction and balance of approximately RMB3,162,000 (31 December 2020: nil) will be amortised based on the useful life of the related plant and equipment. For the year ended 31 December 2021, approximately RMB451,000 (for the year ended 31 December 2020: nil) was released to profit or loss.

38. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**(7,026)**	(15,730)
Deferred tax liabilities	**12,036**	98,362
	5,010	82,632

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 2020	(2,851)	129,523	(2,478)	124,194
Exchange adjustments	(261)	–	106	(155)
Charged (credited) to profit or loss (note 11)	346	(43,178)	689	(42,143)
Disposal of subsidiaries (note 44(b))	736	–	–	736
At 31 December 2020 and 1 January 2021	**(2,030)**	**86,345**	**(1,683)**	**82,632**
Exchange adjustments	**(38)**	**–**	**30**	**(8)**
Charged (credited) to profit or loss (note 11)	**8,366**	**(86,345)**	**365**	**(77,614)**
At 31 December 2021	**6,298**	**–**	**(1,288)**	**5,010**

At 31 December 2021, the Group does not recognise deferred tax assets in respect of tax losses of approximately RMB3,012,009,000 (31 December 2020: RMB2,171,137,000) 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 RMB460,503,000 (31 December 2020: RMB452,439,000) do not expire under current tax legislation and approximately RMB2,551,506,000 (31 December 2020: RMB1,718,698,000) would expire within five years from the year of origination.

38. DEFERRED TAXATION *(Continued)*

At 31 December 2021, the Group has deductible temporary differences of RMB695,656,000 (31 December 2020: RMB525,044,000). 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 2021, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to approximately RMB70,375,000 (31 December 2020: RMB46,935,000). Deferred tax liabilities of approximately RMB3,519,000 (31 December 2020: RMB2,347,000) 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.

39. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The Group has the following balances with immediate holding company:

The carrying amount of approximately RMB187,560,000 as at 31 December 2021 (31 December 2020: RMB35,089,000) represented amount due to the immediate holding company, HGL, with aggregate gross amount of approximately RMB211,868,000 (31 December 2020: RMB39,636,000). As at 31 December 2021 and 2020, the amounts are unsecured, non-interest bearing and agreed not to be repayable until 1 July 2023 (31 December 2020: not to be repayable until 1 May 2022). The Directors assessed the fair value of the fund advances, taken into account an effective interest rate of 9.6% (31 December 2020: 9.6%) per annum, and recognised an initial fair value adjustment of approximately RMB24,882,000 (31 December 2020: RMB6,585,000) to the outstanding amount as deemed contribution from controlling company.

40. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	**2021**	2020
	’000	’000	**HK$’000**	HK$’000
Ordinary shares				
Authorised:				
Ordinary shares of HK$1.00 each				
At the beginning and end of the reporting year	**400,000**	400,000	**400,000**	400,000
	’000	’000	**RMB’000**	RMB’000
Issued and fully paid:				
At the beginning of the reporting year and end of the reporting year	**61,543**	61,543	**55,983**	55,983

41. 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 HK$1,500 (equivalent to approximately RMB1,250 (2020: 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.

Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

The total expense of RMB26,867,000 (31 December 2020: RMB14,337,000) 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 2021.

42. 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.

42. CAPITAL MANAGEMENT *(Continued)*

Gearing ratio *(Continued)*

The gearing ratio at the end of the reporting period was as follows:

	2021	2020
	RMB'000	RMB'000
Total assets	**15,735,750**	16,992,532
Total liabilities	**(16,580,618)**	(15,876,405)
Net (liabilities) assets	**(844,868)**	1,116,127
Total liabilities to assets ratio	**105.4%**	93.4%

43. 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.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,873,806 (31 December 2020: 1,873,806) representing 3.0% (31 December 2020: 3.0%) 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.

43. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

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 highest 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 2021	Date of grant	Vesting conditions	Exercisable period	Exercisable price
Employees	1,096,200	7 February 2017	Nil	7 February 2017 to 6 February 2027	HK$78
Directors	390,255	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

* The executive option was solely granted to Mr. Meng, the chairman of the Board of Directors and an executive director of the Company.

43. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

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 2021

	Number of share options					
Grantee	**Outstanding at 1 January 2021**	**Reclassification (note)**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2021**
Directors & Executive	**1,325,706**	**(548,100)**	**–**	**–**	**–**	**777,606**
Employees	**548,100**	**548,100**	**–**	**–**	**–**	**1,096,200**
	1,873,806	**–**	**–**	**–**	**–**	**1,873,806**

Note: Ms. Huang Xiumei and Ms. Bao Limin were resigned as directors and remain as employees of the Company during the reporting period. The relevant share options are reclassified for presentation purpose.

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

43. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	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**	**1,873,806**	78	2,421,906
Lapsed during the year (note)	**–**	**–**	78	(548,100)
Outstanding at the end of the reporting period	**78**	**1,873,806**	78	1,873,806
Exercisable at the end of the reporting period	**78**	**1,873,806**	78	1,873,806

Note: The relevant grant date fair value of share options lapsed amounting to nil (31 December 2020: approximately RMB7,678,000) have been transferred from share-based payment reserve to accumulated losses upon the share options lapsed.

The options outstanding at 31 December 2021 had a weighted average exercise price of HK$78 (31 December 2020: HK$78) and a weighted average remaining contractual life of 5.1 years (31 December 2020: 6.1 years).

44. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at FVTPL	**35,736**	39,533
Debt instruments at FVTOCI	**–**	3,282
Financial assets at amortised cost	**811,296**	1,245,491
	847,032	1,288,306
Financial liabilities		
Financial liabilities at amortised cost	**14,812,271**	13,796,065
Lease liabilities	**11,801**	22,255
	14,824,072	13,818,320
Derivatives		
Convertible option derivatives	**–**	33

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.

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Currency risk

The Group is exposed to foreign currency risk on listed bond investment, financial assets at FVTPL bank balances and cash, pledged bank deposits, trade and other receivables, prepayment and deposits and trade and other 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					
	2021			2020		
	RMB	EUR	USD	RMB	EUR	USD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Debt instruments at FVTOCI	–	–	–	–	–	3,282
Financial assets at FVTPL	–	–	27,068	–	–	32,767
Bank balances and cash	14,437	57	32,685	25,136	370	60,753
Pledged bank deposits	–	–	1,122	–	–	–
Trade and other receivables	14,035	275	33,385	4,750	298	14,732
Prepayment and deposits	57	35	14,152	2	53	24,753
Trade and other payables	(97)	(20)	(3,206)	(6)	(10)	(2,813)

Sensitivity analysis

At 31 December 2021, it is estimated that a general appreciation/depreciation of 5% (31 December 2020: 5%) in the exchange rate of EUR and RMB against HK$, assuming all other risk variables remained constant, would have decreased/increased the Group's loss for the year of approximately RMB1,306,000 for RMB and RMB15,000 for EUR (31 December 2020: loss for the year of approximately RMB1,455,000 for RMB and RMB33,000 for EUR). No sensitivity analysis is presented for foreign currency fluctuation between US$ 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.

44. 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 at variable rate at the end of the reporting period. The Group's interest rate profile is monitored by management. As at 31 December 2021 and 2020, 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 2021, it is estimated that a general increase/decrease of 100 (31 December 2020: 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 RMB1,434,000 (31 December 2020: 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 in the year ended 31 December 2020. The Directors considered that the credit risk exposure to the Group was limited as the gross investment amount in debt securities is not significant. No investment in debt instruments at FVTOCI for the year ended 31 December 2021.

44. 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 RMB115,666,000 (31 December 2020: RMB426,470,000) where there has not been a significant change in credit risk are based on 12-month ECL. For the remaining amount of RMB373,329,000 (31 December 2020: RMB351,772,000), 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.

In respect of other receivables balance, the amount of approximately RMB966,000 (31 December 2020: RMB10,626,000) and RMB85,311,000 (31 December 2020: RMB83,172,000) has been provided for 12-month ECL and lifetime ECL respectively.

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 historical default experience, the financial position of the counterparty. During the year ended 31 December 2021, 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.

44. 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, restricted bank balances 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 rating, no material impairment loss allowance is recognised for restricted bank balances, pledged bank deposits and bank balances.

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 in 2021.

The Group's concentration of credit risk by geographical locations is in the PRC which accounted for 89% (31 December 2020: 91%) of the total trade receivables as at 31 December 2021.

Other than above, the Group does not have any other significant concentration of credit risk.

44. 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

44. 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 which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2021 RMB'000	Gross carrying amounts 2020 RMB'000
Debt instruments at FVTOCI						
Listed bond investments	23	B2 – B+	N/A	12-month ECL	**–**	3,282
Financial assets at amortised cost						
Trade receivables	27	N/A	(Note)	Lifetime ECL (provision matrix)	**192,868**	186,700
			Low risk	Lifetime ECL (individually assess, not credit-impaired)	**60,905**	75,537
			High risk	Lifetime ECL (individually assess, not credit-impaired)	**3,811**	3,811
			Doubtful	Lifetime ECL (credit impaired)	**32,575**	45,579
Loan receivables and interest receivable	28	N/A	Doubtful	Lifetime ECL (credit-impaired)	**11,525**	11,525
Other receivables	27	N/A	Low risk	12-month ECL	**115,666**	426,470
			High risk	Lifetime ECL (not credit-impaired)	**340,000**	340,000
			Doubtful	Lifetime ECL (credit impaired)	**33,329**	11,772
Restricted bank balances	29	AAA	N/A	12-month ECL	**7,700**	46,878
Pledged bank deposits	29	Baa2 – A1	N/A	12-month ECL	**10,749**	46,946
Bank balances and cash	29	Baa2 – A1	N/A	12-month ECL	**152,204**	219,083

Note:

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.

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

Note: *(Continued)*

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 2021 within lifetime ECL (not credit impaired). Trade receivables with significant outstanding balances and with gross carrying amounts of RMB97,291,000 (31 December 2020: RMB124,927,000) as at 31 December 2021 were assessed individually. As part of these debtors, gross amounts of RMB60,905,000 (31 December 2020: RMB75,537,000) 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 (31 December 2020: RMB3,811,000) and RMB32,575,000 (31 December 2020: RMB45,579,000) 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 2021

	Average loss rate	Gross trade receivables RMB'000	ECL RMB'000	Net trade receivables RMB'000
Current (not past due)	3%	166,011	4,750	161,261
1-30 days past due	12%	10,430	1,291	9,139
31-90 days past due	31%	4,644	1,429	3,215
91-180 days past due	62%	11,783	7,275	4,508
		192,868	14,745	178,123

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

As at 31 December 2020

	Average loss rate	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

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 2021, the Group provided approximately RMB14,745,000 (31 December 2020: RMB10,888,000) of impairment loss for trade receivables, based on the provision matrix. Impairment loss of approximately RMB1,104,000 (31 December 2020: RMB7,020,000) and RMB36,385,000 (31 December 2020: RMB45,579,000) were provided on individually assessed and credit-impaired receivables respectively.

The following table shows the movement in the allowance for impairment of trade receivables.

	Total RMB'000
As at 1 January 2020	49,589
Impairment losses recognised during the year	13,898
As at 31 December 2020 and 1 January 2021	**63,487**
Exchange adjustment	**(33)**
Reversal of impairment losses during the year	**(11,220)**
As at 31 December 2021	**52,234**

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment provision *(Continued)*

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.

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 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 and 1 January 2021	**10,626**	**71,400**	**11,772**	**93,798**
(Reversal of) impairment losses recognised during the year	**(9,660)**	**(19,418)**	**21,557**	**(7,521)**
As at 31 December 2021	**966**	**51,982**	**33,329**	**86,277**

The Group considers the industrial average loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

44. 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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	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. As at 31 December 2021 and 2020, 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. As at 31 December 2020, the Group's bond investment is listed on bond market and valued at quoted market price.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Sensitivity analysis *(Continued)*

If the prices of the respective equity and debt instruments had been 1% (31 December 2020: 1%) higher/lower:

- the Group's loss after tax for the year ended 31 December 2021 would have decreased/increased by approximately RMB298,000 (31 December 2020: decreased/increased by RMB395,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment valuation reserve would have increased/decreased by nil (31 December 2020: approximately RMB33,000) for the Group as a result of the changes in fair value of listed bond investments.

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.

44. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables (Continued)

At 31 December 2021

	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 31.12.2021 RMB'000
Trade and others payables	3,506,359	–	–	3,506,359	3,506,359
Bill payables	17,401	–	–	17,401	17,401
Amount due to immediate holding company	211,868	–	–	211,868	187,560
Corporate bonds	19,034	9,607	75,163	103,804	83,774
Borrowings	10,864,896	126,601	82,836	11,074,333	11,017,177
Lease liabilities	11,498	1,298	–	12,796	11,801
Total	14,631,056	137,506	157,999	14,926,561	14,824,072

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

44. FINANCIAL INSTRUMENTS *(Continued)*

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).

Details of the recurring fair value measurement of the relevant assets are set out in note 23 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.

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.

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the current and prior years, the Group 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:

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisitions

For the year ended 31 December 2021

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition
Huaren Properties (Yingkou) Co., Ltd. ("Huaren Properties (Yingkou)")*	An entity controlled by Mr. Meng	100%	Inactive	RMB1,100	20 August 2021	Acquisition of assets through acquisition of a subsidiary

* English name for reference only

On 20 August 2021, the Group entered into a sales and purchase agreement with a related party to acquire the entire equity interest in Huaren Properties (Yingkou) with consideration of RMB1,100. The acquisitions have been accounted for using the assets acquisition method. Huaren Properties (Yingkou) was acquired so as to provide property management services. The acquisition was completed on the same date. The consideration of RMB1,100 was yet to settled and included in other payable at 31 December 2021.

No material acquisition-related costs have been incurred from the acquisitions.

Assets acquired and liabilities assumed at the date of acquisition:

	RMB'000
Amount due to immediate holding company	(1,100)
Waive of debt by immediate holding company	1,100
Net identifiable assets acquired	–

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")*	Two independent third parties	100%	Property management services	RMB500,000	17 July 2020	Business combination
Huajun Properties Management (Dalian) Limited ("Dalian Properties")*	An independent third party	100%	Property management services	RMB1	31 July 2020	Business combination

* English name for reference only

45. 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

45. 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 approximately RMB6,754,000 and RMB2,463,000 respectively. The gross contractual amounts of those trade and other receivables acquired amounted to approximately 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.

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals

For the year ended 31 December 2021

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of proceeds	Principal activity	Disposal proceeds	Date of completion
Changzhou Jinrun Solar Engineering Limited ("Jinrun Solar Engineering")*	An independent third party	100%	Production of photovoltaic products	RMB3,900,000	16 June 2021
Changzhou Hengma Solar Technology Co., Ltd. ("Hengma Solar Technology")*	An independent third party	100%	Operation of solar station	RMB2,732,500	3 September 2021
Yingkou Furun Industrial Company Limited ("Yingkou Furun")*	An entity controlled by Mr. Meng	100%	Production of photovoltaic products	RMB8,060,000	9 September 2021

* English name for reference only

Analysis of assets and liabilities over which control was lost

	Jinrun Solar Engineering RMB'000	Hengma Solar Technology RMB'000	Yingkou Furun and its subsidiaries RMB'000	Total RMB'000
Property, plant and equipment	3,359	6,897	612,703	622,959
Right-of-use assets	–	–	129,138	129,138
Trade and other receivables	566	74	87,342	87,982
Bank balances and cash	–	39	–	39
Trade and other payables	(25)	(4,277)	(309,656)	(313,958)
Bill payables	–	–	(380,612)	(380,612)
Deferred income	–	–	(23,491)	(23,491)
Amount due to immediate holding company (note)	–	–	(59,952)	(59,952)
Borrowings	–	–	(106,000)	(106,000)
	3,900	2,733	(50,528)	(43,895)

Note: The amount represented debts owed to the Group by the fellow subsidiaries of Group. Upon the completion of the disposal, the immediate holding company agreed to settle the debts owed to the Group on behalf of YingKou Furun and its subsidiaries.

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

For the year ended 31 December 2021 *(Continued)*

Analysis of contribution from disposal of subsidiaries

	Jinrun Solar Engineering RMB'000	Hengma Solar Technology RMB'000	Yingkou Furun and its subsidiaries RMB'000	Total RMB'000
Cash consideration	3,900	2,733	8,060	14,693
Less: net (assets) liabilities disposed of	(3,900)	(2,733)	50,528	43,895
	–	–	58,588	58,588
Deemed shareholder contribution	–	–	(58,588)	(58,588)
Gain on disposal of subsidiaries	–	–	–	–

Net cash inflow on disposal of subsidiaries:

	Jinrun Solar Engineering RMB'000	Hengma Solar Technology RMB'000	Yingkou Furun and its subsidiaries RMB'000	Total RMB'000
Cash consideration	3,900	2,733	8,060	14,693
Less: bank balances and cash disposed	–	(39)	–	(39)
	3,900	2,694	8,060	14,654

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

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 Real Estate (Huai'an) Co., Ltd (Formerly known as Baohua Properties (Huai'an) Limited) ("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

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: The amounts represented debts owed to the Group by the disposed subsidiaries assigned to the buyers.

45. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals *(Continued)*

For the year ended 31 December 2020 *(Continued)*

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 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 27(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

46. LEASE COMMITMENTS

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:

	2021 **RMB'000**	2020 RMB'000
Within 1 year	**16,078**	18,370
After 1 year but within 2 years	**15,774**	16,028
After 2 years but within 3 years	**13,743**	15,000
After 3 years but within 4 years	**13,267**	12,765
After 4 years but within 5 years	**13,279**	12,673
After 5 years	**124,297**	134,905
	196,438	209,741

47. CAPITAL AND OTHER COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Capital expenditure in respect of the property development and investment projects contracted for but not provided in the consolidated financial statements	**1,832,506**	1,758,572
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**215,122**	233,149
	2,047,628	1,991,721

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:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**499,341**	707,670
Right-of-use asset	**246,466**	299,274
Investment properties	**4,913,866**	5,104,466
Properties held for sale	**5,953,809**	5,649,364
Inventories	**10,000**	10,036
Pledged bank deposits	**10,749**	46,946
Restricted bank balances	**7,700**	46,878

In addition to above pledged assets, the Group also pledged certain subsidiaries' equity interest to secure bank borrowings of approximately RMB581,858,000 (31 December 2020: RMB457,000,000) and borrowings from a financial institution of approximately RMB1,440,000,000 (31 December 2020: RMB1,440,000,000) as at 31 December 2021.

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:

	2021 RMB'000	2020 RMB'000
Short-term benefits	**13,108**	12,368
Post-employment benefits	**181**	81
	13,289	12,449

49. RELATED PARTY TRANSACTIONS *(Continued)*

(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 2021 and 2020 are as follows:

(1) In June 2021, the Company early redeemed the two tranches of 2019 Convertible Bonds with aggregate principal amount of HK$1,205,200,000 from HGL. Details are set out in note 35.

(2) In July 2021, Huajun Logistic Group Limited*, an indirect wholly owned subsidiary of the Company, entered into the agreement with Huajun Group (Yingkou) Company Limited*, a company indirectly wholly owned by Mr. Meng, to dispose the entire equity interest in Yingkou Furun at a cash consideration of RMB8,060,000. Details are set out in note 45.

(3) In August 2021, Huajun Properties Management (Dalian) Limited, an indirect wholly-owned subsidiary of the Company, entered into the agreement with Huajun Construction Group Limited*, a company indirectly wholly owned by Mr. Meng, to purchase the entire equity interest in Huaren Properties (Yingkou) at the consideration of RMB1,100. Details are set out in note 45.

* English name for reference only

(c) Transactions with immediate holding company

Provision of credit facility

As at 31 December 2021, the interest-free credit facility from HGL amounted to RMB7,000,000,000 (31 December 2020: RMB7,000,000,000), of which RMB6,788,132,000 (31 December 2020: RMB6,960,364,000) were unused by the Group.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with Yingkou Coastal Bank

As at 31 December 2021, Yingkou Coastal Bank was no longer a related party to the Group since the merger between Yingkou Coastal Bank and Liaoyang Bank and formed Liaoshen Bank in September 2021, Mr. Meng was neither a shareholder nor director of Liaoshen Bank. As at 31 December 2020, Mr. Meng owned 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 constituted balances with related party.

Balances with Yingkou Coastal Bank

	2021	2020
	RMB'000	RMB'000
Bank balances	**–**	6,396
Pledged bank deposits	**–**	11,279
Bill payables	**–**	(343,000)
Bank borrowings	**–**	(3,621,190)

Transactions with Yingkou Coastal Bank

	2021	2020
	RMB'000	RMB'000
Interest income	**16**	6,142
Interest expense	**(264,167)**	(276,302)
Bank charges	**(23)**	(266)

Banking facilities provided by Yingkou Coastal Bank

As at 31 December 2020, Yingkou Coastal Bank has granted banking facilities of RMB4,821,290,000 to the Group, nil is unused by the Group.

(e) In prior years, several business partners of Mr. Meng provided financing to the Group through entrusted loan arrangement with a financial institution. As at 31 December 2021, loans of RMB4,247,000,000 (31 December 2020: 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 RMB2,592,907,000 (31 December 2020: RMB2,209,655,000) as at 31 December 2021.

(f) During the years ended 31 December 2021 and 2020, the Group rented an office premises from HGL, the ultimate holding company of the Company, at nil consideration. The rent expired as at 31 December 2021.

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 2021	10,209,948	22,255	35,089	84,812	806,197	1,096,982	12,255,283
Cash inflow (outflow):							
Proceeds from borrowings	2,769,814	–	–	–	–	–	2,769,814
Repayment of borrowings	(1,856,585)	–	–	–	–	–	(1,856,585)
Interest paid	–	(1,120)	–	(5,115)	(34,628)	(151,137)	(192,000)
Redemption of convertible bonds	–	–	–	–	(1,185,999)	–	(1,185,999)
Redemption of corporate bonds	–	–	–	(1,667)	–	–	(1,667)
Advance from the immediate holding company	–	–	921,522	–	–	–	921,522
Repayment to the immediate holding company	–	–	(599,340)	–	–	–	(599,340)
Repayment of lease liabilities	–	(16,305)	–	–	–	–	(16,305)
Non-cash transactions:							
New lease liabilities	–	7,061	–	–	–	–	7,061
Termination of lease	–	(1,210)	–	–	–	–	(1,210)
Disposal of subsidiaries	(106,000)	–	(59,952)	–	–	(67,331)	(233,283)
Recognition of deemed contribution	–	–	(24,882)	–	–	–	(24,882)
Set off against consideration receivable	–	–	(90,000)	–	–	–	(90,000)
Redemption amount allocated to convertible bonds equity reserve	–	–	–	–	327,263	–	327,263
Net foreign exchange loss	–	–	–	(2,110)	(33,562)	(27)	(35,699)
Finance costs	–	1,120	5,123	7,854	120,762	1,370,004	1,504,863
Change in fair value of convertible bonds – derivative component	–	–	–	–	(33)	–	(33)
At 31 December 2021	11,017,177	11,801	187,560	83,774	–	2,248,491	13,548,803

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	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 loss	–	–	–	(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

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 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
				2021	2020	
Baohua Real Estate Management (Yingkou) Co., Ltd. ("Baohua Real Estate Yingkou") (note a)	PRC	PRC	RMB100,000,000	**100%**	100%	Property investment and investment holding
Baohua Jiangsu (note b)	PRC	PRC	RMB100,000,000	**80%**	80%	Property development
Baohua Shanghai (note b)	PRC	PRC	RMB200,000,000	**100%**	100%	Property development and investment
Baohua Real Estate Dalian (note b)	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, enginery management services
Huajun Properties (Dalian) Company Limited (note b)	PRC	PRC	RMB600,000,000	**100%**	100%	Property development and investment
Dalian Hydraulic (note b)	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 Credit Services Limited	Hong Kong	Hong Kong	HK$10,000	**100%**	100%	Money Lending
Huajun Energy Group Limited	Hong Kong	Hong Kong	HK$251,900,000	**100%**	100%	Investment holding, trading and logistics
Huajun Management Limited	Hong Kong	Hong Kong	HK$100	**100%**	100%	Provision of management services to group companies
Huaren Power (Jiangsu) Co., Limited (formerly knwon as Huajun Power (Jiangsu) Co., Ltd) (note c)	PRC	PRC	RMB100,000,000	**100%**	100%	Production and sale of photovoltaics products, monocrystalline silicon, solar stent and related 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		Principal activities
				2021	2020	
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
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%	Provision of cargo freight services
New Island Management Services Limited	Hong Kong	Hong Kong	US$1,000,000	100%	100%	Investment holding
New Island Packaging Technology (Jiansu) Company Limited (note a)	PRC	PRC	US$40,000,000	100%	100%	Production and distribution of paper product
New Island Printing Group Company Limited (formerly known as 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
New Island Printing (Liaoning) Limited (note a)	PRC	PRC	RMB30,000,000	100%	100%	Production and distribution of paper products and surgical mask
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 Plastic Technology (Shanghai) Co., Ltd (note b)	PRC	PRC	RMB30,000,000	60%	60%	Trading of rubber and 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 2021	2020	Principal activities
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 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
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%	Production of paper products

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.

The table below shows details of Huajun Leasing and Jiangyin Properties, the non-wholly owned subsidiaries of the Group at 31 December 2021 and 2020 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 2021				
Huajun Leasing	PRC	30%	(1,222)	106,180
Jiangyin Properties	PRC	30%	8,572	(94,023)
31 December 2020				
Huajun Leasing	PRC	30%	(1,337)	107,402
Jiangyin Properties	PRC	30%	(40,978)	(102,595)

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	
	2021	2020
	RMB'000	RMB'000
Non-current assets	**19,500**	19,500
Current assets	**398,935**	392,470
Current liabilities	**(48,464)**	(45,758)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Huajun Leasing	
	2021	2020
	RMB'000	RMB'000
Revenue	**–**	511
Loss and total comprehensive expense	**(4,076)**	(4,455)
Cash flows from operating activities	**535**	4,054
Cash flows used in financing activities	**(738)**	(3,929)

	Jiangyin Properties	
	2021	2020
	RMB'000	RMB'000
Non-current assets	**21**	28
Current assets	**108,289**	104,851
Current liabilities	**(421,720)**	(446,705)

	Jiangyin Properties	
	2021	2020
	RMB'000	RMB'000
Revenue	**210,644**	495,080
Profit (loss) and total comprehensive expense	**28,573**	(136,592)
Cash flows (used in) from operating activities	**(66,413)**	102,290
Cash flows from investing activities	**45**	69,119
Cash flows from (used in) financing activities	**58,717**	(165,416)

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**1,927,761**	1,730,403
Amounts due from subsidiaries (Note)	**3,355,343**	4,554,364
	5,283,104	6,284,767
CURRENT ASSETS		
Amounts due from subsidiaries (Note)	**2,601,324**	1,463,400
Deposits and prepayments	**352,787**	13,128
Bank balances and cash	**299**	7,156
	2,954,410	1,483,684
CURRENT LIABILITIES		
Other payables	**27,551**	12,145
Amounts due to subsidiaries	**8,820,186**	6,020,446
Corporate bonds	**12,657**	1,699
Borrowings	**105,980**	–
Convertible bonds – liability component	**–**	193,935
Convertible bonds – derivative component	**–**	33
	8,966,374	6,228,258
NET CURRENT LIABILITIES	**(6,011,964)**	(4,744,574)
TOTAL (LIABILITIES) ASSETS LESS CURRENT LIABILITIES	**(728,860)**	1,540,193
NON-CURRENT LIABILITIES		
Amount due to immediate holding company	**187,560**	35,089
Corporate bonds	**71,117**	83,113
Convertible bonds – liability component	**–**	612,229
	258,677	730,431
NET (LIABILITIES) ASSETS	**(987,537)**	809,762
CAPITAL AND RESERVES		
Share capital	**55,983**	55,983
Reserves	**(1,043,520)**	753,779
TOTAL (DEFICIENCY) EQUITY	**(987,537)**	809,762

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note: As at 31 December 2021, ECL for amounts due from subsidiaries and bank balances are assessed and impairment loss allowance of approximately RMB4,181,902,000 (31 December 2020: RMB2,450,544,000) 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 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 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 and 1 January 2021	2,557,466	69,589	30,185	61,862	497,152	541,618	(3,004,093)	753,779
Loss for the year	–	–	–	–	–	–	(1,507,940)	(1,507,940)
Other comprehensive income	–	–	–	13,022	–	–	–	13,022
Total comprehensive income (expense) for the year	–	–	–	13,022	–	–	(1,507,940)	(1,494,918)
Redemption of convertible bond	–	–	–	–	–	(541,618)	214,355	(327,263)
Deemed contribution from the controlling company	–	–	–	–	24,882	–	–	24,882
At 31 December 2021	2,557,466	69,589	30,185	74,884	522,034	–	(4,297,678)	(1,043,520)

53. CONTINGENT LIABILITIES

As at 31 December 2021, 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 into 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 consolidated financial statements. In December 2020, the Group has applied for retrial to the Supreme People's Court. On 7 June 2021, the Supreme People's Court dismissed the retrial and handed down same result in final judgement. Subsequent to the end of the reporting period, the Group has settled the legal proceedings by repaying the counterparty as per the judgement of the Guangdong High 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 approximately RMB31,574,000 in 2020 based on initial judgement handed down by the Jiangsu High Court. Subsequent to the end of the reporting period, the final judgement had been released by Jiangsu High Court which supported the judgement of first hearing.

* English name for reference only

54. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2021, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB7,061,000 and RMB7,061,000 (31 December 2020: RMB11,332,000 and RMB11,332,000) were recognised at the commencement of the leases.

(b) During the year ended 31 December 2021, consideration receivables of approximately RMB90,000,000 was received by the immediate holding company on the Group's behalf.

55. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed 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		
	2018	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	3,921,601	2,649,485	3,699,606	3,515,451	**3,512,438**
Loss before tax	(925,030)	(349,597)	(563,283)	(1,651,474)	**(1,829,267)**
Income tax expense (credit)	(3,425)	(46,514)	(70,472)	21,630	**45,082**
Loss for the year/period from continuing operation	(928,455)	(396,111)	(633,755)	(1,629,844)	**(1,784,185)**
Attributable to：					
Shareholders of the Company	(931,079)	(388,926)	(644,710)	(1,573,818)	**(1,778,008)**
Non-controlling interests	2,624	(7,185)	10,955	(56,026)	**(6,177)**
	(928,455)	(396,111)	(633,755)	(1,629,844)	**(1,784,185)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March	As at 31 December			
	2018	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	11,764,556	15,762,535	17,655,495	16,992,532	**15,735,750**
Total liabilities	(9,083,035)	(13,131,815)	(14,934,271)	(15,876,405)	**(16,580,618)**
	2,681,521	2,630,720	2,721,224	1,116,127	**(844,868)**
Share capital	55,203	55,203	55,983	55,983	**55,983**
Reserves	2,481,599	2,513,008	2,597,448	1,048,221	**(906,601)**
Equity (deficiency) attributable to shareholders of the Company	2,536,802	2,568,211	2,653,431	1,104,204	**(850,618)**
Non-controlling interests	144,719	62,509	67,793	11,923	**5,750**
Total equity (deficiency)	2,681,521	2,630,720	2,721,224	1,116,127	**(844,868)**

SUMMARY OF PROPERTIES

Particulars of the Group's major investment properties, properties held for sale and properties under development as at 31 December 2021 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
6. A factory complex at No. 6 Konggang New District, Guozhuang Town, Jurong City, Jiangsu Province, the PRC	Industrial	77,290	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

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 (2022) Phase II (2023)	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	2022	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	2023	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	2023	100%	Medium