HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31.12.2019 *RMB Million*	Nine months ended 31.12.2018 *RMB Million*	**Change**
Revenue	**3,699.6**	2,649.5	**39.6%**
Gross profit	**304.2**	83.9	**262.6%**
Loss for the year/period	**(633.8)**	(396.1)	**60.0%**
Total assets	**17,655.5**	15,762.5	**12.0%**
Total equity	**2,721.2**	2,630.7	**3.4%**

Reference is made to the announcement of Huajun International Group Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), dated 27 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Announcement**").

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce that the Company's auditor, SHINEWING (HK) CPA Limited has completed its auditing process of the Group's consolidated financial statements for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Save as (i) reclassification adjustments of certain items in consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position; (ii) further provision of approximately RMB10,098,000 on land appreciation tax; and (iii) decrease in the amount of gain on bargain purchase by approximately RMB2,951,000, there were no other significant changes in the audited annual results compared to the unaudited annual results contained in the Announcement.

Since more time is required to finalise and arrange for the bulk-printing of the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the 2019 Annual Report is expected to be published on or before 15 May 2020.

AUDITED ANNUAL RESULTS

The Board is pleased to present the audited annual results of the Group for the year ended 31 December 2019 together with the comparative figures for the nine months ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**1.1.2019 to 31.12.2019** *RMB'000*	1.4.2018 to 31.12.2018 *RMB'000*
Revenue	*4*		
Goods and services		**3,675,741**	2,609,167
Finance lease income		**127**	953
Interest income from provision of finance		**2,064**	6,590
Rental income from property investments		**9,615**	22,139
Dividend from securities investments		**5,374**	5,081
Others		**6,685**	5,555
Total revenue		**3,699,606**	2,649,485
Cost of sales and services		**(3,395,404)**	(2,565,567)
Gross profit		**304,202**	83,918
Other gains and losses	*6*	**8,049**	(37,152)
Other income	*7*	**16,577**	23,294
Change in fair value of investment properties		**237,945**	192,015
Selling and distribution expenses		**(151,999)**	(93,215)
Administrative expenses		**(380,157)**	(333,637)
Impairment of goodwill		**–**	(5,846)
(Impairment loss) reversal of impairment loss of			
– trade receivables		**(27,042)**	(19,372)
– other receivables		**(11,712)**	(9,750)
– financial guarantee contracts		**–**	261,713
Impairment loss in respect of property, plant and equipment		**–**	(68,699)
Finance costs	*8*	**(572,252)**	(444,252)
Share of profit (loss) from associates		**813**	(8,371)
Share of loss from joint venture		**(216)**	–
Gain on disposal of subsidiaries		**11**	20
Loss on disposal of associates		**–**	(8,637)
Change in fair value of convertible bonds – derivative component		**12,498**	118,374
Loss before tax		**(563,283)**	(349,597)
Income tax expense	*9*	**(70,472)**	(46,514)
Loss for the year/period	*10*	**(633,755)**	(396,111)

	NOTES	1.1.2019 to 31.12.2019 RMB'000	1.4.2018 to 31.12.2018 RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(8,694)**	26,496
Change in fair value of debt instruments at fair value through other comprehensive income ("**FVTOCI**")		**939**	(3,880)
Reclassification adjustment relating to loss on disposal of debt instruments at FVTOCI included in profit or loss		**1,814**	2,560
		(5,941)	25,176
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**12,850**	(100,642)
Other comprehensive income (expense) for the year/period		**6,909**	(75,466)
Total comprehensive expense for the year/period		**(626,846)**	(471,577)
(Loss) profit for the year/period attributable to:			
Shareholders of the Company		**(644,710)**	(388,926)
Non-controlling interests		**10,955**	(7,185)
Loss for the year/period		**(633,755)**	(396,111)
Total comprehensive (expense) income attributable to:			
Shareholders of the Company		**(637,811)**	(463,301)
Non-controlling interests		**10,965**	(8,276)
		(626,846)	(471,577)
		RMB	*RMB*
Loss per share	*11*		
Basic		**(10.59)**	(6.41)
Diluted		**(10.59)**	(6.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**31.12.2019** *RMB'000*	31.12.2018 *RMB'000*
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**2,027,984**	1,308,271
Prepaid lease payments		**–**	302,247
Investment properties		**4,863,150**	5,814,375
Goodwill		**8,087**	8,087
Interests in an associate		**29,213**	28,400
Interests in joint ventures		**–**	6,100
Deposits for property, plant and equipment, right-of-use assets and investment properties		**649,887**	100,020
Financial assets at fair value through profit or loss ("**FVTPL**")		**35,815**	44,688
Other receivables and deposits	*12*	**83,892**	32,686
Debt instruments at FVTOCI		**26,762**	49,031
Deferred tax assets		**17,221**	10,957
Right-of-use assets		**620,685**	–
		8,362,696	7,704,862
CURRENT ASSETS			
Properties held for sale		**7,440,044**	5,736,201
Inventories		**233,948**	261,118
Deposits for leasehold land for development for sale		**–**	50,000
Prepaid lease payments		**–**	8,106
Trade and other receivables, and prepayments	*12*	**935,351**	827,860
Loan receivables and interest receivables	*13*	**15,004**	12,187
Tax recoverable		**1,354**	1,041
Financial assets at FVTPL		**13,888**	173,580
Restricted bank balances		**69,109**	–
Pledged bank deposits		**313,265**	285,634
Bank balances and cash		**270,836**	701,946
		9,292,799	8,057,673

	NOTES	31.12.2019 RMB'000	31.12.2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables, and other liabilities	*14*	**1,148,011**	1,298,398
Bill payables		**729,969**	576,664
Tax payable		**105,816**	104,221
Borrowings		**4,266,637**	3,619,333
Obligations under finance leases		**–**	6,847
Obligations under financing arrangements	*16*	**–**	2,693,469
Contract liabilities		**1,513,556**	973,061
Corporate bonds		**3,612**	214,840
Lease liabilities		**30,570**	–
Financial guarantee contracts	*15*	**–**	228,382
		7,798,171	9,715,215
NET CURRENT ASSETS (LIABILITIES)		**1,494,628**	(1,657,542)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,857,324**	6,047,320
NON-CURRENT LIABILITIES			
Deferred consideration		**95,000**	95,000
Deferred income		**103,491**	21,660
Deferred tax liabilities		**141,415**	76,524
Amount due to immediate holding company		**16,655**	1,706,956
Borrowings		**5,905,780**	1,178,000
Obligations under finance leases		**–**	17,719
Corporate bonds		**76,921**	76,109
Convertible bonds-liability component		**776,973**	227,498
Convertible bonds-derivative component		**4,942**	17,134
Lease liabilities		**14,923**	–
		7,136,100	3,416,600
NET ASSETS		**2,721,224**	2,630,720
CAPITAL AND RESERVES			
Share capital	*17*	**55,983**	55,203
Reserves		**2,597,448**	2,513,008
Equity attributable to shareholders of the Company		**2,653,431**	2,568,211
Non-controlling interests		**67,793**	62,509
TOTAL EQUITY		**2,721,224**	2,630,720

NOTES

1. GENERAL

Huajun International Group Limited (formerly known as Huajun Holdings Limited) (the "**Company**") is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong. As at 31 December 2019, the directors of the Company (the "**Directors**") consider that immediate holding company of the Company to be China Huajun Group Limited ("**CHG**") which is incorporated in the British Virgin Islands and ultimate holding company of the Company is Huajun Group Limited, which is 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 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.

Change of financial year end date

During the nine-month period ended 31 December 2018, the reporting period end date of the Group was changed from 31 March to 31 December because the Directors determined to align the financial year end date of the Group with that of its principal subsidiaries in the PRC. The Directors consider such change will facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the consolidated financial statements for the prior period covered the nine month period from 1 April 2018 to 31 December 2018. The amounts shown for the consolidated statement of profit or loss and other comprehensive income and related notes cover a twelve month period from 1 January 2019 to 31 December 2019 and therefore may not be comparable with amounts shown for the comparative period.

2. BASIS OF PREPARATION OF AUDITED 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 2019 the Group has capital and other commitments of RMB2,419,671,000 and incurred a net loss of RMB633,755,000 for the year ended 31 December 2019.

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

(i) Continuous financial support from the immediate holding company

The immediate holding company has agreed to continue to provide financial support to the Group when in need. As at 31 December 2019, approximately RMB16,962,000 of advances has been drawn in which the immediate holding company agreed not to demand for the repayment of the amount due to immediate holding company until 31 May 2021.

(ii) Issue of convertible bonds to the immediate holding company

On 22 January 2020, the Company entered into convertible bond subscription agreement with the immediate holding company in which the Company agreed to issue and the immediate holding company agreed to subscribe a zero coupon 5 years convertible bond at an aggregate sum of HK$1,000,000,000 (equivalent to RMB892,857,000) which is expected to be paid by 30 June 2020. Up to the date of these consolidated financial statements, the immediate holding company has advanced approximately RMB267,400,000 to the Group as part of the convertible bond subscription. The Directors expect that the remaining RMB625,457,000 will be received from the immediate holding company by 30 June 2020.

(iii) Renewal of bank borrowings and unused facilities from Yingkou Coastal Bank

As at 31 December 2019, the Group had borrowings of approximately RMB10,172,417,000, of which RMB4,266,637,000 was current in nature and RMB1,841,850,000 was provided by Yingkou Coastal Bank, which is a related party of the Group. Subsequently after the year end and before the date of this announcement, Yingkou Coastal Bank had renewed bank borrowings to the Group of RMB1,026,330,000 and Yingkou Coastal Bank has provided its intention to renew borrowings of RMB800,000,000 which will be matured in July 2020 and September 2020. Given the historical experience of borrowings renewal, the relationship of Yingkou Coastal Bank with the Group and considering the availability of assets to be pledged upon maturity of the borrowings, the Directors expect that the above borrowings will be able to be renewed by Yingkou Coastal Bank upon maturity in July 2020 and September 2020 for extension of at least one year. The Group also has unused facilities from Yingkou Coastal Bank available for drawdown anytime when the need arises.

(iv) Negotiation with banks on overdue borrowings

The Group had breached the repayment terms of two borrowings during the year ended 31 December 2019 and further breached the repayment terms of another borrowing subsequently in March 2020. The Group has successfully reached an agreement to reschedule the repayment terms of one of the overdue borrowings. The Group is currently in the process of negotiation with other counterparties for the extension of the repayment of aggregate principal amounts of RMB1,597,000,000 that remained outstanding as at the date of these consolidated financial statements. Among the aggregate principal amounting RMB1,597,000,000, the lender of a borrowing of RMB1,440,000,000 has agreed to extend the repayment date of the principals of RMB240,000,000, RMB240,000,000 and RMB960,000,000 to March 2022, June 2022 and September 2022 respectively. Supplemental agreement to such loan is to be arranged between the Group and the lender in due course.

(v) Cash inflow from operations

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

The Directors believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. However, should the above financing be unavailable (in particular the continuous financial support from the immediate holding company, banking facilities from Yingkou Coastal Bank as well as the renewal of borrowings from Yingkou Coastal Bank) if the Group is not able to generate the expected cash inflows from certain of its property development projects within the expected timeline or if the Group is unable to obtain additional financing through disposal of the existing investment properties, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

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

3.1 Impact on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not been restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were 2.9% - 15.0%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 *RMB'000*	Impact on adoption of HKFRS 16 *RMB'000*	**Carrying amount as restated at 1 January 2019** ***RMB'000***
Property, plant and equipment	*(a)*	1,308,271	(31,143)	**1,277,128**
Right-of-use assets	*(a)-(c)*	–	388,630	**388,630**
Prepaid lease payments	*(c)*	310,353	(310,353)	**–**
Lease liabilities	*(a), (b)*	–	(71,700)	**(71,700)**
Obligations under finance lease	*(a)*	(24,566)	24,566	**–**

Notes:

(a) The obligations under finance leases of approximately RMB24,566,000 previously separately presented as obligations under finance leases at 31 December 2018 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately RMB31,143,000 is reclassified to right-of-use assets;

(b) As at 1 January 2019, right-of-use assets in respect of lease arrangement for buildings were measured at an amount equal to the lease liability of approximately RMB47,134,000; and

(c) Prepaid lease payments of approximately RMB310,353,000 which represent the prepayment of rentals for land use rights in the PRC were adjusted to right-of-use assets.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	56,354
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(4,650)
	51,704
Less: Discounted using the incremental borrowing rate at 1 January 2019	(4,570)
Add: Finance lease liabilities recognised under HKAS 17 as at 31 December 2018	24,566
	71,700
Analysed as	
– Current portion	41,046
– Non-current portion	30,654
	71,700

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Except as described below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

4. REVENUE

A. For the year ended 31 December 2019

Disaggregation of revenue from contracts with customers

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

B. For the period from 1 April 2018 to 31 December 2018

Disaggregation of revenue from contracts with customers

	For the period from 1 April 2018 to 31 December 2018					
	Printing	**Trading and logistics**	**Property development and investments**	**Solar photovoltaic**	**Financial services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods and services						
Sales of:						
– solar photovoltaic products	–	–	–	51,548	–	51,548
– printing products	551,540	–	–	–	–	551,540
– oil and other related products	–	1,910,464	–	–	–	1,910,464
– properties	–	–	77,222	–	–	77,222
Processing services						
– solar photovoltaic products	–	–	–	18,393	–	18,393
Total revenue from contracts with customers	551,540	1,910,464	77,222	69,941	–	2,609,167
Finance lease income	–	–	–	–	953	953
Interest income from provision of finance	–	–	–	–	6,590	6,590
Rental income from property investments	–	–	22,139	–	–	22,139
Dividend from securities investments	–	–	–	–	5,081	5,081
Others	–	–	5,555	–	–	5,555
Total revenue	551,540	1,910,464	104,916	69,941	12,624	2,649,485
Geographical markets						
The PRC	163,629	1,907,159	77,222	69,941	–	2,217,951
The United States of America ("**US**")	225,257	–	–	–	–	225,257
Hong Kong	42,336	1,558	–	–	–	43,894
European countries	71,788	1,424	–	–	–	73,212
Other countries	48,530	323	–	–	–	48,853
Total	551,540	1,910,464	77,222	69,941	–	2,609,167

All of the Group's revenue from contracts with customers are recognised at point in time.

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 point in time.

5. 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

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which included provision of hotel services, department store business, and sales and manufacturing of hydraulic parts in the PRC, which are the new businesses for the year ended 31 December 2019. 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".

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

Year ended 31 December 2019

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

For the period from 1 April 2018 to 31 December 2018

	Printing	Trading and logistics	Property development and investments	Solar photovoltaic	Financial services	Reportable segments' total	All other segments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue								
Revenue from external customers	551,540	1,910,464	104,916	69,941	12,624	2,649,485	–	2,649,485
Segment profit (loss)	914	(12,380)	102,564	(187,358)	(357)	(96,617)	(32,672)	(129,289)
Unallocated amounts								
Change in fair value of convertible bonds – derivative component								118,374
Corporate administrative expenses								(142,582)
Corporate other income								3,451
Finance costs								(444,252)
Gain on disposal of subsidiaries								20
Loss on disposal of associates								(8,637)
Other gains and losses								(24)
Reversal of impairment for financial guarantee contracts								261,713
Share of loss from associates								(8,371)
Group's loss before tax								(349,597)

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, loss on disposal of associates, gain on disposal of subsidiaries, unallocated other gains and losses, reversal of impairment for financial guarantee contracts, share of profits (loss) from joint venture and share of (loss) profits from associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Year ended 31 December 2019

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

For the period from 1 April 2018 to 31 December 2018

	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 and amortisation for the period	26,940	7,987	6,878	44,914	342	87,061	–	4,833	91,894
Additions to non-current assets during the period	84,262	90,605	176,259	295,354	32	646,512	–	862	647,374
Additions to non-current assets through acquisition of subsidiaries during the period	62,394	–	118,911	199,128	–	380,433	–	–	380,433
Impairment loss of									
– trade receivables	9,069	–	–	10,303	–	19,372	–	–	19,372
– other receivables	–	917	7,468	–	126	8,511	–	1.239	9,750
(Gain) loss on disposal of property, plant and equipment	(541)	–	201	–	–	(340)	–	96	(244)
Change in fair value of investment properties	–	–	(192,015)	–	–	(192,015)	–	–	(192,015)
Change in fair value of financial assets at FVTPL	–	–	–	–	9,476	9,476	–	–	9,476
Loss on disposal of debt instruments at FVTOCI	–	–	–	–	2,560	2,560	–	–	2,560
Interest income on bank deposits and pledged bank deposits	(81)	(705)	(2,968)	(1,337)	(170)	(5,261)	–	(78)	(5,339)
Interest income from finance lease receivables	–	–	–	–	(953)	(953)	–	–	(953)
Interest income from loan receivable	–	–	–	–	(6,590)	(6,590)	–	–	(6,590)
Impairment loss in respect of property, plant and equipment	–	–	–	68,699	–	68,699	–	–	68,699
Impairment loss of inventories	–	–	–	7,528	–	7,528	–	–	7,528
Impairment loss of properties held for sale (included in cost of sales and services)	–	–	29,050	–	–	29,050	–	–	29,050
Impairment loss of deposits for machineries modification and enhancement	–	–	–	25,000	–	25,000	–	–	25,000
Impairment loss of goodwill	–	–	–	5,846	–	5,846	–	–	5,846

6. OTHER GAINS AND LOSSES

	1.1.2019 to 31.12.2019	1.4.2018 to 31.12.2018
	RMB'000	*RMB'000*
Change in fair value of financial assets at FVTPL	**8,619**	(9,476)
Exchange loss, net	**(2,794)**	(297)
(Loss) gain on disposal of property, plant and equipment	**(1,753)**	244
Loss on disposal of debt instruments at FVTOCI	**(1,814)**	(2,560)
Gain on bargain purchase	**5,791**	–
Impairment loss of deposits for machineries modification and enhancement	**–**	(25,000)
Loss on disposal of club membership	**–**	(63)
	8,049	(37,152)

7. OTHER INCOME

	1.1.2019 to 31.12.2019	1.4.2018 to 31.12.2018
	RMB'000	*RMB'000*
Interest income on bank deposits and pledged bank deposits	**5,647**	5,339
Others	**10,930**	17,955
	16,577	23,294

8. FINANCE COSTS

	1.1.2019 to 31.12.2019	1.4.2018 to 31.12.2018
	RMB'000	*RMB'000*
Interest on bank borrowings and other borrowings	**421,158**	377,687
Interest on obligations under finance leases	**–**	419
Interest on leases liabilities	**6,160**	–
Interest on significant financing component arising from pre-sales of properties	**90,853**	29,931
Imputed interest arising on interest-free borrowings from immediate holding company	**146,680**	38,388
Imputed interest arising on obligations under financing arrangements	**45,002**	109,291
Effective interest expenses on convertible bonds	**66,844**	95,379
Effective interest expenses on corporate bonds	**16,590**	23,590
Other finance charges	**401**	23,427
	793,688	698,112
Less: interest expenses capitalised into investment properties under construction/properties under development for sales	**(221,436)**	(253,860)
	572,252	444,252

9. INCOME TAX EXPENSE

	1.1.2019 to 31.12.2019	1.4.2018 to 31.12.2018
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	**6,295**	124
PRC Enterprise Income Tax	**2,103**	2,042
PRC land appreciation tax	**10,098**	–
Other jurisdictions	**1**	–
	18,497	2,166
(Over) under provision in prior periods:		
Hong Kong Profits Tax	**(114)**	(323)
PRC Enterprise Income Tax	**628**	(2,118)
	514	(2,441)
Deferred tax	**51,461**	46,789
	70,472	46,514

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current year and prior period.

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 year and prior period.

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.

10. LOSS FOR THE YEAR/PERIOD

	1.1.2019 to 31.12.2019 *RMB'000*	1.4.2018 to 31.12.2018 *RMB'000*
Loss for the year/period is arrived after charging (crediting):		
Directors' remuneration	**14,680**	11,037
Staff cost, excluding Directors' remuneration:		
Salaries, wages and other benefits	**257,364**	203,858
Retirement benefit scheme contributions	**36,072**	24,460
Total staff costs	**308,116**	239,355
Rental income from investment properties:		
Gross rental income from investment properties	**(9,615)**	(22,139)
Less: direct operating expenses incurred for investment properties that generated rental income during the year/period	**710**	1,834
	(8,905)	(20,305)
Amortisation of prepaid lease payments	**–**	5,588
Auditor's remuneration		
– Audit services	**5,056**	6,367
– Non-audit services	**192**	272
Cost of inventories recognised as an expense	**2,798,954**	2,466,174
Cost of properties recognised as an expenses	**572,106**	94,430
Impairment of properties held for sales (included in cost of sales and services)	**–**	29,050
Impairment of inventories (included in administrative expenses)	**9,004**	7,528
Written off of other receivables (included in administrative expenses)	**8,394**	–
Depreciation for property, plant and equipment	**87,010**	86,306
Depreciation for right-of-use assets	**44,623**	–
Operating lease rental on land and buildings	**–**	19,510
Research and development expenses	**3,715**	5,614

11. 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:

	1.1.2019 to 31.12.2019	1.4.2018 to 31.12.2018
	RMB'000	*RMB'000*
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year/period attributable to shareholders of the Company)	**(644,710)**	(388,926)

	31.12.2019	31.12.2018
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	**60,891,859**	60,669,200

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 for the current year and prior period.

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 of shares for the current year and prior period.

12. TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
Trade receivables		
– goods and services	**292,288**	224,967
Less: allowance for credit losses	**(49,589)**	(22,459)
	242,699	202,508
Deposits and other receivables	**500,494**	338,181
Less: allowance for credit losses	**(21,462)**	(9,750)
	479,032	328,431
Prepayments	**297,512**	329,607
Total	**1,019,243**	860,546
Analysis as:		
– Current	**935,351**	827,860
– Non-current	**83,892**	32,686
	1,019,243	860,546

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.

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
0 – 30 days	**167,523**	131,893
31 – 90 days	**35,914**	34,506
91 – 180 days	**17,917**	8,182
Over 180 days	**21,345**	27,927
	242,699	202,508

13. LOAN RECEIVABLES AND INTEREST RECEIVABLES

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
Loan receivables	**14,464**	11,403
Interest receivables	**540**	784
	15,004	12,187

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

Certain loan receivables are secured by collaterals provided by customers, bearing interest ranging from 8% to 15% (31 December 2018: 8% to 12%) per annum and 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 receivables and interest receivables mentioned above.

14. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
Trade payables	**287,232**	184,806
Construction payables	**99,284**	447,268
	386,516	632,074
Accrued construction cost	**403,623**	213,658
Deposits received	**50,726**	50,653
Other payables	**194,829**	133,636
Other payables to non-controlling shareholders of a former subsidiary of the Company	**–**	119,989
Other accruals	**112,317**	148,388
	1,148,011	1,298,398

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

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
0 – 30 days	**134,688**	105,938
31 – 90 days	**33,045**	44,033
Over 90 days	**218,783**	482,103
	386,516	632,074

15. FINANCIAL GUARANTEE CONTRACTS

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
At the beginning of the reporting year/period	**228,382**	496,793
Addition through acquisition of a subsidiary	**–**	23,303
Financial guarantee provision recognised	**3,022**	228,382
Reversal of impairment	**(231,404)**	(520,096)
At the end of the reporting year/period	**–**	228,382

Reversal of (provision on) financial guarantee contracts recognised comprised of:

	31.12.2019	31.12.2018
	RMB'000	*RMB'000*
Reversal of impairment in relation to:		
– Guarantee I *(note (a))*	**–**	447,810
– Guarantee II *(note (a))*	**–**	48,983
– Guarantees in favour of Yingkou Coastal Bank *(note (b))*	**231,404**	–
– Guarantee from the newly acquired subsidiary *(note (c))*	**–**	23,303
	231,404	520,096
Financial guarantee provision recognised on:		
– Guarantees in favour of Yingkou Coastal Bank *(note (b))*	**–**	(34,478)
	231,404	485,618
Recognised in deemed contribution reserve	**(231,404)**	(223,905)
Recognised in profit or loss	**–**	261,713

Notes:

(a) Guarantee I and Guarantee II

On 19 October 2016, the Group entered into a financial guarantee in favour of Jiangsu branch office of China Cinda Asset Management Co., Ltd. ("**China Cinda**"), pursuant to which the Group agreed to provide a financial guarantee in respect of obligations and liabilities of Hareon Solar and Jiangyin Hareon Solar Energy Electrical Power Co., Ltd. (collectively referring to as "**Hareon Companies**") under restructuring documents in the amount of approximately RMB383,361,000 (the "**Guarantee I**"). On the same date, Mr. Meng also entered into a personal guarantee in favour of China Cinda to provide financial guarantee for the same obligations and liabilities.

In order to protect the interest of the Group against any loss which might be suffered by the Group under the Guarantee I, Hareon Solar entered into a counter indemnity in favour of the Group pursuant to which Hareon Companies agreed to, among other matters, indemnify the Group for its liabilities and loss which may arise from the Guarantee I.

The Group had recognised a financial guarantee liability at fair value of RMB44,281,000 at the date of providing the Guarantee I.

On 4 May 2016, the Group had provided a financial guarantee in favour of a bank of RMB22,990,000 to secure a banking facility granted to a subsidiary of Hareon Solar ("**Guarantee II**"). Subsequently on 19 January 2017, the Group further increased the maximum guaranteed amount to RMB77,000,000.

As at 31 March 2018, the Directors were of the opinion that the financial condition of the Hareon Companies had significantly deteriorated with certain of their debts are default in payment. The Directors considered that it is probable the creditors will demand the Group to settle the outstanding principal and interest of the subject debts under the financial guarantees provided by the Group.

On 26 June 2018, three statutory demands were served on the Company by China Cinda to demand the Company to settle the outstanding debts totalling of RMB278,153,000 pursuant to the Guarantee I.

As at 31 March 2018, the Group had recognised financial guarantees provision of RMB496,793,000 which was the Directors' best estimation on the probable cash outflow on the obligations of these financial guarantee contracts.

On 23 July 2018, Hareon Companies announced that Huajun Commercial Factoring Co., Ltd. ("**Huajun Commercial**"), a company directly controlled by Mr. Meng, has fully repaid the statutory demands of RMB278,153,000 on behalf of Hareon Companies to China Cinda.

On 26 October 2018, Hareon Companies announced that Huajun Commercial further paid RMB150,000,000 on behalf of Hareon Companies to China Cinda for full settlement of the amounts due by Hareon Companies to China Cinda. On the same date, China Cinda provided a written confirmation to the Group agreed that the liabilities under Guarantee I are discharged.

Consequently, the Directors considered that the financial guarantee contracts liabilities to Guarantee I should be fully reversed on the basis specified below:

According to the relevant laws specified in the financial guarantee contracts, unless otherwise specified, joint guarantors to a financial guarantee contract shall be jointly and severely liable to the guaranteed amount, and if the debtor defaults on the payment, each joint guarantor may request the other joint guarantor to equally share the settlement of the guaranteed amount. A reversal of impairment for financial guarantee contracts to profit or loss amounting to RMB223,905,000 represents the provision of guarantee liable by joint guarantor, Mr. Meng. For the portion that the Group is liable, as the amount has been settled by an entity controlled by Mr. Meng, settlement of the financial guarantee contract of RMB223,905,000 is accounted for as an equity transaction with shareholder as contribution.

In respect of Guarantee II, the financial guarantee contract was released upon the outstanding bank loan was settled by the subsidiary of Hareon Solar in the form of auction of selling its land. The auction was completed 5 December 2018, and the Group was no longer liable of the Guarantee II, consequently, the Directors considered that the financial guarantee contracts liabilities relating to Guarantee II which amount to RMB48,983,000 should be fully reversed to profit or loss.

(b) Guarantees in favour of Yingkou Coastal Bank

As at 31 December 2018, a bank loan drawn from the banking facilities associated with the financial guarantees which is previously provided by the Group in favour of Yingkou Coastal Bank to secure the facilities granted to an independent third party, is outstanding and now past due, and accordingly being in default, pursuant to the terms of the guarantees, the Group is obligated to compensate the holder for loss suffered when no repayment of the loan happens. As a result, the Group reassessed the financial guarantee liabilities and recognised the impairment loss in aggregate of RMB34,478,000 in profit or loss.

The Group had provided guarantees to several related parties for credit facilities in aggregate sum of RMB2,978 million in favour of Yingkou Coastal Bank. Among the guaranteed facilities, aggregate amount of RMB2,778 million are drawn by those related parties and remitted to the Group. The Directors were of the opinion that the remaining guaranteed facilities amounted to RMB199,996,000 drawn by those related parties are virtually certain to default given the financial position of those related parties. Accordingly, the remaining amounts which included fair value adjustment amounted to RMB193,904,000 are recognised as financial guarantee liabilities at 31 December 2018.

On 29 March 2019, Huajun Holdings Group Limited, a company controlled by Mr. Meng and his spouse replaced the Group to be the guarantor of these financial guarantees, therefore, all guarantees in favour of Yingkou Coastal Bank provided by the Group are released, and the Group was no longer liable to the guarantee. Consequently, the Directors considered that the financial guarantee contracts liabilities in favour of Yingkou Coastal Bank which amount to RMB231,404,000 should be fully accounted for as deemed contribution from shareholder.

(c) Guarantees from the newly acquired subsidiary

During the nine months period ended 31 December 2018, Yingkou Yuzhu Science and Technology Development Limited, a newly acquired subsidiary, has previously entered into a financial guarantee contract with financial guarantee liabilities of RMB23,303,000 recognised at date of acquisition. Subsequently, the financial guarantee contract was released upon the outstanding bank loan being settled by the borrower before 31 December 2018 and the Group was no longer liable to the guarantee, consequently, the Directors considered that the financial guarantee contracts liabilities relating to Guarantee II which amount to RMB23,303,000 should be fully reversed to profit or loss in the nine months period ended 31 December 2018.

16. OBLIGATIONS UNDER FINANCING ARRANGEMENTS

On 17 May 2018, Huajun Properties Yangzhou Limited ("**Huajun Properties Yangzhou**") (formerly known as Yangzhou Bao Hua Properties Limited), a wholly owned subsidiary of the Company, provided guarantees of RMB778 million in favour of Yingkou Coastal Bank Co., Ltd ("**Yingkou Coastal Bank**") for credit facilities in aggregate sum of RMB778,078,000 granted to two related companies of the Group which Mr. Meng has significant influence therein. Through utilising the credit facilities granted and a series of bills financing arrangements, an aggregate sum of RMB1,111,540,000 bills were issued by these related companies and net cash proceeds of RMB700,000,000, after deducting the discounting charge of RMB78,078,000 and security deposits of RMB333,462,000 placed by these related companies in Yingkou Coastal Bank, was generated by these related parties by discounting the bills to unrelated parties and the net cash proceeds was transferred back to the Group to supplement the Group's working capital.

On 6 June 2018, Bao Hua Properties Management (Yingkou) Limited ("**B&H Properties Yingkou**") (formerly known as Bao Hua Properties Management (China) Limited), a wholly owned subsidiary of the Company, provided guarantees of RMB2,200,000,000 in favour of Yingkou Coastal Bank for credit facilities in aggregate sum of RMB2,200 million granted to four related companies of the Group which Mr. Meng has significant influence therein. Through utilising the credit facilities granted and a series of bills financing arrangements, an aggregate sum of RMB3,132,400,000 bills were issued by these related companies (including three former subsidiaries of the Group that the Group completed the disposal of on 5 June 2018) and net cash proceeds of RMB2,000,004,000, after deducting the discounting charge of RMB192,676,000 and security deposits of RMB939,720,000 placed by these related companies in Yingkou Coastal Bank, was generated by these related parties by discounting the bills to unrelated parties, of which RMB1,594,665,000 were transferred to the seller of Wuxi Project for settlement of acquisition consideration on behalf of the Group and the remaining RMB405,339,000 was transferred back to the Group to supplement the Group's working capital.

The Directors considered that the arrangements are in substance financing from the immediate holding company under the loan facilities with the immediate holding company and therefore recognised the advances through the above financing arrangements (including the amount paid by related parties to settle the consideration of Wuxi Project) as amount due to immediate holding company.

The Group has agreed in writing with these related parties and immediate holding company that in case these related parties fail to settle their obligations with Yingkou Coastal Bank and the Group needs to repay to the bank under these financing arrangements, the Group's corresponding amount due to immediate holding company will be reduced by the amount of repayment made by the Group to the bank (if any). During the period from 1 April 2018 to 31 December 2018, the aggregate gross proceeds received by the Group under the financing arrangement is RMB2,778,082,000 (as at 31 December 2018, the net proceeds received is carried at amortised cost of RMB2,693,469,000 at an effective interest rate of 6.4% per annum). The financial liabilities are classified as current as the corresponding bills issued through these financial arrangements will be matured within one year at end of the reporting period.

On 29 March 2019, Huajun Holdings Group Limited, a company wholly owned by Mr. Meng and his spouse, replaced Huajun Properties Yangzhou and B&H Properties Yingkou to be the guarantor of these financial guarantees and the above-mentioned guarantee obligations of Huajun Properties Yangzhou and B&H Properties Yingkou, as confirmed by Yingkou Coastal Bank, were released. Upon the release of these financial guarantees, the obligations under financing arrangements were reclassified as amount due to immediate holding company. In accordance with the loan facilities between the Group and the immediate holding company, the immediate holding company will not demand for repayment of the amount due to immediate holding company before May 2021. Therefore, the amount due to immediate holding company under these financing arrangements was reclassified as non-current liabilities on 29 March 2019.

17. SHARE CAPITAL

	Number of shares		Share capital	
Ordinary shares	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$1.00 each				
At the beginning and end of the reporting year/period	**400,000**	400,000	**400,000**	400,000
	'000	*'000*	***RMB'000***	*RMB'000*
Issued and fully paid:				
At the beginning of the reporting year/period	**60,669**	60,669	**55,203**	55,203
Issue of shares *(note)*	**874**	–	**780**	–
At end of the reporting year/period	**61,543**	60,669	**55,983**	55,203

Note:

On 6 December 2018, Huajun Industrial Park Management (China) Limited (華君產業園管理(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the agreement with Liaoning Huajun Equipment Manufacturing Co., Limited (遼寧華君裝備製造有限公司) and Mr. Cong Liming to purchase the entire equity interest in Dalian Hydraulic Machinery Co., Limited* (大連液力機械有限公司) at the consideration of RMB36,000,000, of which RMB6,398,000 was settled by issue of 873,875 consideration shares of the Company on 30 September 2019.

18. CONTINGENT LIABILITIES

As at 31 December 2019, 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.

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**"). The Cooperation Agreement that 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 but no hearing has yet been fixed. The Group has provided the provision of RMB80,000,000 based on the initial judgement handed down by Guangdong High Court.

19. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the Company entered into a conditional subscription agreement with CHG, the substantial shareholder of the Company, pursuant to which the Company conditionally agreed to issue and CHG conditionally agreed to subscribe the convertible bond in the principal amount of HK$1,000,000,000 at the issue price, which is 100% of the principal amount of the convertible bond. The said subscription is subject to the independent shareholders' approval and the convertible bond has not been issued as at the date of these consolidated financial statements.

On 30 March 2020, Baohua Properties (China) Limited* (保華地產(中國)有限公司) ("**Baohua Properties China**") (an indirect wholly-owned subsidiary of the Company), and Changzhou Shiao New Energy Co., Ltd* (常州世傲新能源有限公司) ("**Changzhou Shiao**") (a limited liability company established in the PRC and an independent third party of the Company) entered into a sale and purchase agreement, pursuant to which Baohua Properties China agreed to sell and Changzhou Shiao agreed to acquire the sale shares and sale loan owed by Huaren Real Estate (Huai'an) Co., Ltd. for a total consideration of RMB252,110,000, comprising of RMB20,000,000 being the consideration for the Sale Shares and RMB232,110,000 being the consideration for the Sale Loan. As certain conditions of the sale and purchase agreement have not been fulfilled, the said disposal has not been completed as at the date of these consolidated financial statements.

The Group has breached the repayment terms of a borrowings with outstanding principal of RMB1,440,000,000 of which RMB240,000,000 was in default since 27 March 2020.

Subsequent to the end of the reporting period, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the pandemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the pandemic and assess its impact on its operations.

BUSINESS REVIEW

The financial year end date of the Company has been changed from 31 March to 31 December since the financial year ended 31 December 2018 in order to align with the Company's financial year end date with that of its principal subsidiaries incorporated in the People's Republic of China (the "**PRC**"), which are statutorily required to have a financial year end date at 31 December. Accordingly, the current financial period covers a period of twelve months from 1 January 2019 to 31 December 2019 (the "**Current Year**") which may not be entirely comparable with last period's results which cover a period of nine months from 1 April 2018 to 31 December 2018 (the "**Last Period**").

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 Current Year, revenue was approximately RMB3,699.6 million, representing a increase of approximately RMB1,050.1 million, or 39.6%, compared to revenue of approximately RMB2,649.5 million for the Last Period. The overall increase in revenue was attributable to the increase in revenue generated from sales of properties upon delivery of certain completed property projects to customers during the Current Year. Trading and Logistics segment and Printing segment continued to register a stable growth.

For the Current Year, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 59.6% (Last Period: approximately 72.1%) of the total revenue followed by property development and investments segment which accounted for approximately 18.3% (Last Period: approximately 4.0%) of the total revenue. For the Current Year, local PRC sales continued to be our major source of revenue, representing approximately 86.9% (Last Period: 84.8%) of the total revenue.

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

	For the year ended 31.12.2019		For the nine months ended 31.12.2018	
	RMB Million	**%**	*RMB Million*	%
Printing	**670.2**	**18.1%**	551.5	20.8%
Trading and logistics	**2,203.7**	**59.6%**	1,910.5	72.1%
Property development and investments	**677.0**	**18.3%**	104.9	4.0%
Solar photovoltaic	**92.7**	**2.5%**	69.9	2.6%
Financial services	**7.6**	**0.2%**	12.7	0.5%
Other	**48.4**	**1.3%**	–	–
	3,699.6	**100.0%**	2,649.5	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 Period:

	For the year ended 31.12.2019		For the nine months ended 31.12.2018	
	RMB Million	**%**	*RMB Million*	%
The PRC	**3,213.7**	**86.9%**	2,246.2	84.8%
The United States	**277.8**	**7.5%**	225.3	8.5%
Hong Kong	**58.0**	**1.6%**	50.8	1.9%
European countries	**79.7**	**2.2%**	73.2	2.8%
Other countries	**70.4**	**1.8%**	54.0	2.0%
	3,699.6	**100%**	2,649.5	100%

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

Printing

New Island Printing Company Limited ("**New Island**") is one of the leading and reputable printing and packaging companies in Hong Kong and China. 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.

Printing will continue to be the major business segment of the Group and contribute stable revenue and profit to the Group. During the Current Year, we have acquired certain lands and production facilities to set up a high-end printing and packaging production base in Liuhe Economic Development Zone, Nanjing City, Jiangsu Province, the PRC. The production base is expected to put into production in the second half of 2020.

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, the Group will continue to support the growth of distribution and sales of petrochemical products, in particular of exploring new types of petrochemical products for distribution. Due to the recent volatility of crude oil market in March 2020, we will take a more prudent approach to carry out our business to minimise our inventory risk.

Property development and investments

This segment consists of land consolidation and development, real estate 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 Bao Hua International Plaza

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

Dalian Projects

On 30 March 2017, we acquired two property projects, namely Bao Hua Financial Centre* (保華金融中心) and Bao Hua Wang Yuan* (保華旺苑), from a company controlled by Mr. Meng, the chairman, an executive Director and a substantial shareholder of the Company at a total Consideration of RMB1,920 million. Both Bao Hua Financial Centre and Bao Hua Wang Yuan are located in Dalian City, Liaoning Province, the PRC. In particular, Bao Hua Financial Centre comprises a parcel of land with a site area of approximately 10,857.10 sq.m. situated at Xinghai Bay business area, Dalian, the PRC. It is under development into a commercial and Grade A office development complex with total GFA of approximately 146,000 square meters to be erected thereon. The development will be developed into a 51-storey commercial and office complex with a 2-storey basement for car parking and ancillary uses.

Property for sale – Gaoyou

A commercial and residential project named Gaoyou Bao Hua – Jun Ting (高郵保華•君庭) with two phases and has a total sellable GFA of approximately 365,000 square meters located in Gaoyou City, Jiangsu Province, the PRC. The first phase has offered for pre-sale since February 2018. At 31 December 2019, a total of approximately 68,260 square meters were sold for proceeds of approximately RMB607.8 million.

Property for sale – Wuxi Project

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

(i) a completed building known as Wuai Renjia (五愛人家) located at Liangxi District, Wuxi City in the PRC with a 13-storey complex building for residential, office and retail purposes with total saleable/lettable area of approximately 20,000 square meters.

(ii) A residential development named as Zangpin Yuyuan (藏品裕苑) located at Jianyin District, Wuxi City in the PRC with parcel of land with a site area of approximately 109,000 square metres, and various residential and ancillary facilities which have been developed (Phases 1 to 3) and the construction of Phase 4 is substantially completed and applying for the complete registration.

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

We have sold/pre-sale certain properties of Wuxi Project and have recognised revenue of approximately RMB427.8 million from the Wuxi Project during the Current Year.

Solar photovoltaic

The PRC government indicated the tightening of the photovoltaic ("**PV**") policy which is evidenced by the release of the notification jointly issued by the National Development and Reform Commission, the Ministry of Finance and the Energy Bureau on 31 May 2018 in relation to new regulations for the PV industry in China, which is usually referred to as the 531 New Policy (the "**531 New Policy**"). The uncertainties brought by the 531 New Policy and future policies has caused the demand in the domestic market to fall. To cope with the challenges faced by the Group under the 531 New Policy, the Group centralises the production of solar products in Jiangsu Province in the PRC to the production plant at Jurong which has more advanced technology and automation.

Finance services

(i) Finance Lease

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

(ii) Provision of Finance

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

(iii) Securities Investments

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

(iv) Securities brokerage and assets management

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

FINANCIAL REVIEW

Revenue

Our Group's revenue based on the audited financial information for the Current Year was approximately RMB3,699.6 million, representing a increase of approximately RMB1,050.1 million, or 39.6%, compared to revenue of approximately RMB2,649.5 million for the Last Period. For the Current Year, our Group's major business segments, namely (1) Printing reported a revenue of approximately RMB670.2 million (Last Period: approximately RMB551.5 million); (2) Trading and logistics reported a revenue of approximately RMB2,203.7 million (Last Period: approximately RMB1,910.5 million); (3) Solar Photovoltaic recorded a revenue of approximately RMB92.7 million (Last Period: approximately RMB69.9 million); (4) Property Development and investments reported a revenue of approximately RMB677.0 million (Last Period: approximately RMB104.9 million); and (5) Financial services recorded a revenue of approximately RMB7.6 million (Last Period: approximately RMB12.7 million).

The overall increase in revenue was mainly attributable to the increase in revenue generated from sales of properties upon delivery of certain completed property projects such as Wuai Renjia (五愛人家), Zangpin Yuyuan (藏品裕苑) and Yingkou Lake Bay Garden (營口湖灣花園) to customers during the Current Year.

Gross profit and gross profit margin

Gross profit based on the audited financial information was approximately RMB304.2 million for the Current Year (Last Period: approximately RMB83.9 million), with gross profit margin of approximately 8.2% (Last Period: approximately 3.2%). The mix of business segments that the Group operates affects its results of operations such as its gross profit margins since different segments have different profitability. While our printing business maintained a stable gross margin, the increase in gross profit was mainly due to the change of revenue mix with revenue from sales of property which earning a higher gross profit margin compared to largest contribution of trading revenue earning a lower profit margin.

Selling and distribution expenses

For the Current Year based on the audited financial information, selling and distribution expenses increased by approximately RMB58.8 million or 63.1% to approximately RMB152.0 million, or 4.1% of revenue for the Current Year, from approximately RMB93.2 million, or 3.5% of revenue for the Last Period. The increase was primarily due to the increase in staff costs and commission expenses.

Administrative expenses

For the Current Year based on the audited financial information, administrative expenses increased by approximately RMB46.6 million or 14.0% to approximately RMB380.2 million or 10.3% of revenue of the Current Year, from approximately RMB333.6 million, or 12.6% of revenue for the Last Period, was due to an increase in amortisation of right-of-use assets and staff costs in property development and investment segment.

Finance costs

Finance costs for the Current Year based on the audited financial information was approximately RMB572.3 million (Last Period: approximately RMB444.3 million). The increase was primarily due to increase in interest expense on bank and other borrowings, non-cash interest on significant financing component arising from pre-sales of properties, and non-cash imputed interest arising on interest-free borrowings from immediately holding company compared to the Last Period.

Change in fair value of investment properties

During the Current Year based on the audited financial information, the Group recorded gains on changes in fair value of investment properties of RMB237.9 million compared to a gain of RMB192.0 million in the Last Period as a result of the increase in fair value of investment properties held by the Group as at 31 December 2019.

Reversal of financial guarantee contracts provision

No reversal of provision for financial guarantee contracts recorded during the Current Year based on the audited financial information.

The Group recorded a provision for financial guarantee contracts of approximately RMB261.7 million for the Last Period. The provision was made in respect of two financial guarantee contracts. Details of the reversal of provision for financial guarantee contracts are set out in note 15 of the announcement.

Loss for the year/period

As a combined effect of the above, based on the audited financial information, during the Current Year, our Group recorded a loss attributable to shareholders of the Company of approximately RMB644.7 million, as compared to a loss of approximately RMB388.9 million for the Last Period.

Liquidity, financial resources and capital structure

Shareholders' funds

Total shareholders' funds amounted to approximately RMB2,721.2 million as at 31 December 2019, based on the audited financial information as compared to approximately RMB2,630.7 million as at 31 December 2018, representing an increase of 3.4%. The increase was mainly attributable to recognition of equity conversion reserve of approximately RBM541.6 million in respect of the issue of convertible bonds during the Current Year.

Financial position

As at 31 December 2019, based on the audited financial information, the Group had current assets of approximately RMB9,292.8 million (31 December 2018: approximately RMB8,057.7 million) comprising cash and cash equivalents of approximately RMB270.8 million (31 December 2018: approximately RMB701.9 million), and current liabilities of approximately RMB7,798.2 million (31 December 2018: approximately RMB9,715.2 million). The Group's current ratio (defined as current assets divided by current liabilities) was 1.2 (31 December 2018: 0.8).

Our gearing ratio, based on the audited financial information expressed as a percentage of interest-bearing liabilities to total assets, was at 62.5% as at 31 December 2019 as compared to 33.8% as at 31 December 2018.

Cash and cash equivalents

As at 31 December 2019, based on the audited financial information, our Group had cash and cash equivalents of approximately RMB270.8 million (31 December 2018: approximately RMB701.9 million), most of which were denominated in Renminbi.

Borrowings

Our Group had interest-bearing bank borrowings and other borrowings of approximately RMB10,172.4 million (31 December 2018: approximately RMB4,797.3 million) based on the audited financial information. Of these borrowings, approximately RMB9,727.0 million (31 December 2018: approximately RMB3,818.7 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

Capital expenditure

For the Current Year, based on the audited financial information, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB1,475.5 million (Last Period: approximately RMB647.4 million).

Pledge of assets

As at 31 December 2019, based on the audited financial information, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB707.9 million, RMB254.5 million, RMB5,507.0 million, RMB4,783.5 million, RMB10.0 million, RMB313.3 million and RMB69.1 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

Except as disclosed in note 18, based on the audited financial information, the Group had no material contingent liabilities as at 31 December 2019.

STAFF

As at 31 December 2019, the Group had a total staff of 3,541 (31 December 2018: 3,164).

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.

The Group has in place a share option scheme in order to attract and retain the best personnel and to align the interests of the employees with the Group interests.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Current Year, the Group continues to seek for investment opportunities to further expand its principal business.

Baohua Properties (Huai' An) Limited

On 21 September 2018, Baohua Properties (China) Limited* (保華地產(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the entire equity interest and debt in Huajun Properties (Huai' an) Limited* (華君地產(淮安)有限公司)(formerly known as Baohua Properties (Huai' an) Limited* (保華地產(淮安)有限公司)) at the consideration of RMB180 million. The acquisition completed on 28 June 2019 and Huajun Properties (Huai' an) Limited has become an indirect wholly-owned subsidiary of the Company and its financial results have heen consolidated into the financial statements of the Group.

Dalian Hydraulic Machinery Co., Limited

On 6 December 2018, Huajun Industrial Park Management (China) Limited* (華君產業園管理(中國)有限公司), an indirect wholly owned subsidiary of the Company, entered into the agreement with Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司) and Mr. Cong Liming to purchase the entire equity interest in Dalian Hydraulic Machinery Co., Limited* (大連液力機械有限公司) at the consideration of RMB36,000,000, of which RMB27,889,200 shall be settled by cash and RMB8,110,800 shall be settled by issue of 873,875 consideration shares of the Company. The acquisition has completed on 30 September 2019 and Dalian Hydraulic Machinery Co., Limited has become an indirect wholly-owned subsidiary of the Company and its financial results have been consolidated into the financial statements of the results of the Group.

Save for those disclosed in this announcement, there were no other material acquisitions or disposals of subsidiaries completed during the Current Year.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (the "**Listing Rules**") for the year ended 31 December 2019, the Company has fully complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 of 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, except Mr. Meng Guang Bao, have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019. On 16 August 2019, the Company entered into a conditional subscription agreement with China Huajun Group Limited, which is a company indirectly wholly owned by Mr. Meng Guang Bao, in relation to the issue of convertible bonds in the principal amount of HK$1,000,000,000. Afterwards Mr. Meng Guang Bao noticed that the entering into of the conditional subscription of convertible bonds within the blackout period also constitutes a breach of A.3(a)(ii) and B.8 of the Model Code by dealing in shares within blackout period, the subscription agreement eventually lapsed. Save as disclosed, Mr. Meng has complied with the required standard set out in the Model Code throughout the Current Year.

AUDIT COMMITTEE

The audit committee comprises three 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 has reviewed the audited annual results of the Group for the year ended 31 December 2019 as set out in this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2019, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Except as disclosed in note 19, the Group has no significant events after 31 December 2019.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (Last Period: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Company will make appropriate announcements at a subsequent date and time to be confirmed.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual financial statements for the year ended 31 December 2019 as set out below:

"MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which indicates that as of 31 December 2019, the Group had capital and other commitments of RMB2,419,671,000 as disclosed in note 51 to the consolidated financial statements and incurred a net loss of RMB633,755,000 for the year ended 31 December 2019. The Group's ability to continue as a going concern is dependent on a number of assumptions, including:

(i) the continuous financial support from the immediate holding company;

(ii) the Group obtained facilities and written intention letter from Yingkou Coastal Bank that borrowings of RMB800,000,000 that are due in 2020 will be able to be renewed upon maturity;

(iii) Successful negotiation with banks and other financial institutions to extend overdue borrowings; and

(iv) the forecasted operating cash flows for the year ending 31 December 2020.

However if the funding from immediate holding company and Yingkou Coastal Bank are not forthcoming or if the Group is not able to generate the expected cash inflows from its operations and to refinance its borrowings, the Group would be unable to meet its financial obligations as and when they fall due. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PUBLICATION OF ANNUAL RESULTS

The results announcement of the Company is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.huajunintlgroup.com).

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

Hong Kong, 29 April 2020

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Ms. Huang Xiumei, and Ms. Bao Limin as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.

**For identification purpose only*