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CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

| FINANCIAL HIGHLIGHTS | | | |
|-----------------------------|--|--|---------------|
| | Year ended 31.12.2020 RMB Million | Year ended 31.12.2019 RMB Million | Change |
| Revenue | 3,515.5 | 3,699.6 | -5.0% |
| Gross profit | 40.9 | 304.2 | -86.6% |
| Loss for the year | (1,629.8) | (633.8) | 157.1% |
| Total assets | 16,992.5 | 17,655.5 | -3.8% |
| Total equity | 1,116.1 | 2,721.2 | -59.0% |

AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Huajun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present the audited annual results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|-----------------|-----------------|
| Revenue | 4 | | |
| Goods and services | | 3,497,209 | 3,675,741 |
| Finance lease income | | 616 | 127 |
| Interest income from provision of finance | | 1,537 | 2,064 |
| Rental income from property investments | | 14,069 | 9,615 |
| Dividend from securities investments | | 1,780 | 5,374 |
| Others | | 240 | 6,685 |
| Total revenue | | 3,515,451 | 3,699,606 |
| Cost of sales and services | | (3,474,518) | (3,395,404) |
| Gross profit | | 40,933 | 304,202 |
| Other gains and losses | 6 | 665 | 8,049 |
| Other income | 7 | 65,013 | 16,577 |
| Change in fair value of investment properties | | (175,975) | 237,945 |
| Selling and distribution expenses | | (134,167) | (151,999) |
| Administrative expenses | | (354,109) | (380,157) |
| Impairment of goodwill | | (8,087) | – |
| Impairment loss recognised in respect of | | | |
| – trade receivables | | (13,898) | (27,042) |
| – other receivables | | (74,858) | (11,712) |
| – loan and interest receivables | | (11,525) | – |
| – property, plant and equipment | | (114,366) | – |
| Finance costs | 8 | (898,708) | (572,252) |
| Share of profit from an associate | | 518 | 813 |
| Share of loss from a joint venture | | – | (216) |
| Gain on disposal of subsidiaries | | 22,393 | 11 |
| Change in fair value of convertible bonds | | | |
| – derivative component | | 4,697 | 12,498 |
| Loss before tax | | (1,651,474) | (563,283) |
| Income tax credit (expense) | 9 | 21,630 | (70,472) |
| Loss for the year | 10 | (1,629,844) | (633,755) |

| | <i>Notes</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|--------------|--------------------------------------|------------------------|
| Other comprehensive (expense) income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating of foreign operations | | (78,827) | (8,694) |
| Change in fair value of debt instruments at fair value through other comprehensive income (“FVTOCI”) | | (76) | 939 |
| Reclassification adjustment relating to (gain) loss on disposal of debt instruments at FVTOCI included in profit or loss | | (1,142) | 1,814 |
| | | (80,045) | (5,941) |
| Item that will not be reclassified to profit or loss: | | | |
| Exchange differences on translation to presentation currency | | 98,207 | 12,850 |
| Other comprehensive income for the year | | 18,162 | 6,909 |
| Total comprehensive expense for the year | | (1,611,682) | (626,846) |
| (Loss) profit for the year attributable to: | | | |
| – Shareholders of the Company | | (1,573,818) | (644,710) |
| – Non-controlling interests | | (56,026) | 10,955 |
| | | (1,629,844) | (633,755) |
| Total comprehensive (expense) income attributable to: | | | |
| – Shareholders of the Company | | (1,555,812) | (637,811) |
| – Non-controlling interests | | (55,870) | 10,965 |
| | | (1,611,682) | (626,846) |
| | | <i>RMB</i> | <i>RMB</i> |
| Loss per share | 11 | | |
| Basic | | (25.57) | (10.59) |
| Diluted | | (25.57) | (10.59) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

| | | 2020 | 2019 |
|--|-------|--------------------|------------------|
| | Notes | RMB'000 | RMB'000 |
| CURRENT LIABILITIES | | | |
| Trade and other payables, and other liabilities | 14 | 2,374,295 | 1,148,011 |
| Bill payables | | 428,073 | 729,969 |
| Tax payable | | 119,986 | 105,816 |
| Borrowings | 15 | 9,084,328 | 4,266,637 |
| Contract liabilities | | 1,490,704 | 1,513,556 |
| Corporate bonds | | 1,699 | 3,612 |
| Convertible bonds – liability component | | 193,935 | – |
| Convertible bonds – derivative component | | 33 | – |
| Deferred consideration | | 51,020 | – |
| Lease liabilities | | 14,238 | 30,570 |
| | | <u>13,758,311</u> | <u>7,798,171</u> |
| NET CURRENT (LIABILITIES) ASSETS | | <u>(4,720,691)</u> | <u>1,494,628</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,234,221</u> | <u>9,857,324</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred consideration | | – | 95,000 |
| Deferred income | | 155,664 | 103,491 |
| Deferred tax liabilities | | 98,362 | 141,415 |
| Amount due to immediate holding company | | 35,089 | 16,655 |
| Borrowings | 15 | 1,125,620 | 5,905,780 |
| Corporate bonds | | 83,113 | 76,921 |
| Convertible bonds – liability component | | 612,229 | 776,973 |
| Convertible bonds – derivative component | | – | 4,942 |
| Lease liabilities | | 8,017 | 14,923 |
| | | <u>2,118,094</u> | <u>7,136,100</u> |
| NET ASSETS | | <u>1,116,127</u> | <u>2,721,224</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 16 | 55,983 | 55,983 |
| Reserves | | 1,048,221 | 2,597,448 |
| | | <u>1,104,204</u> | <u>2,653,431</u> |
| Equity attributable to shareholders of the Company | | 11,923 | 67,793 |
| Non-controlling interests | | <u>11,923</u> | <u>67,793</u> |
| TOTAL EQUITY | | <u>1,116,127</u> | <u>2,721,224</u> |

NOTES

1. GENERAL

China Huajun Group Limited (formerly known as Huajun International Group Limited) (the “**Company**”) is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong. As at 31 December 2020, the directors of the Company (the “**Directors**”) consider that immediate and ultimate holding company of the Company to be Huajun Group Limited (“**HGL**”) 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.

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

The Company acts as an investment holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

(i) Continuous financial support from the immediate holding company

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

(ii) Negotiation with banks on defaulted borrowings

The Group had breached the repayment terms of several tranches of borrowings and the Directors are in the process of negotiation with the counterparties over the revised repayment schedule and refinancing arrangements.

(iii) Cash inflow from operations

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

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

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

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

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

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

Amendments to HKFRS 3, Definition of a Business

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

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

Amendments to HKAS 1 and HKAS 8, Definition of Material

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

New and amendments to HKFRSs issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

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 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 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.

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

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

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

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

Amendment to HKFRS 16, COVID-19 Related Rent Concessions

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

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

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

4. REVENUE

For the year ended 31 December 2020

Disaggregation of revenue from contracts with customers

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

For the year ended 31 December 2019

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

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

Segment revenue and results

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

For the year ended 31 December 2020

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

For the year ended 31 December 2019

| | Printing <i>RMB'000</i> | Trading and logistics <i>RMB'000</i> | Property development and investments <i>RMB'000</i> | Solar photovoltaic <i>RMB'000</i> | Financial services <i>RMB'000</i> | Reportable segments' total <i>RMB'000</i> | All other segments <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|----------------------------|--|---|---|---|--|---|-------------------------|
| Segment revenue | | | | | | | | |
| Revenue from external customers | <u>670,189</u> | <u>2,203,718</u> | <u>677,024</u> | <u>92,663</u> | <u>7,565</u> | <u>3,651,159</u> | <u>48,447</u> | <u>3,699,606</u> |
| Segment profit (loss) | <u>6,492</u> | <u>(32,370)</u> | <u>154,309</u> | <u>(44,006)</u> | <u>1,701</u> | <u>86,126</u> | <u>(25,263)</u> | <u>60,863</u> |
| 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 profit from an associate | | | | | | | | 813 |
| Share of loss from joint venture | | | | | | | | <u>(216)</u> |
| Group's loss before tax | | | | | | | | <u>(563,283)</u> |

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 and share of profit from an associate. 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 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 | - | - | - | - | (2,534) | (2,534) | - | - | (2,534) |
| Provision for litigation | - | - | 31,574 | - | - | 31,574 | - | - | 31,574 |
| Write-down of properties held for sale | - | - | 117,345 | - | - | 117,345 | - | - | 117,345 |

For the year ended 31 December 2019

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

6. OTHER GAINS AND LOSSES

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

7. OTHER INCOME

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

Notes:

- a During the current year, the amounts represented cash subsidies from the Employment Support Scheme (“ESS”) by the Government of the Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic. The subsidy income from ESS covers the period from June 2020 to August 2020 and from September 2020 to November 2020. There is no unfulfilled condition in relation to the recognition of the subsidy income and therefore the full amount was recognised as income during the year ended 31 December 2020.
- b During the current year, the amounts represented an one-off agency fee income from the procurement of a parcel of land and buildings located in the PRC on behalf of a third party.

8. FINANCE COSTS

| | 2020 RMB'000 | 2019 RMB'000 |
|---|------------------|------------------|
| Interest on bank borrowings and other borrowings | 1,060,814 | 421,158 |
| Interest on lease liabilities | 6,065 | 6,160 |
| Interest on significant financing component arising from pre-sales of properties | – | 90,853 |
| Imputed interest arising on interest-free borrowings from immediate holding company | 2,346 | 146,680 |
| Imputed interest arising on obligations under financing arrangements | – | 45,002 |
| Effective interest expenses on convertible bonds | 125,986 | 66,844 |
| Effective interest expenses on corporate bonds | 8,407 | 16,590 |
| Other finance charges | 22,019 | 401 |
| | <u>1,225,637</u> | <u>793,688</u> |
| Less: interest expenses capitalised into investment properties under construction/properties under development for sales/construction-in-progress | <u>(326,929)</u> | <u>(221,436)</u> |
| | <u>898,708</u> | <u>572,252</u> |

9. INCOME TAX (CREDIT) EXPENSE

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

Hong Kong profits tax is calculated at a flat rate of 16.5% of the estimated assessable profits for the current and prior years.

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.

10, LOSS FOR THE YEAR

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

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:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Loss | | |
| Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company) | <u>(1,573,818)</u> | <u>(644,710)</u> |
| | 2020 | 2019 |
| Number of shares | | |
| Weighted average number of shares for the purposes of basic and diluted loss per share | <u>61,543,075</u> | <u>60,891,859</u> |

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 both years.

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

13. LOAN AND INTEREST RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--------------------------------|------------------------|------------------------|
| Loan receivables | 10,000 | 14,464 |
| Interest receivables | 1,525 | 540 |
| | <hr/> | <hr/> |
| | 11,525 | 15,004 |
| Less: allowance for impairment | (11,525) | – |
| | <hr/> | <hr/> |
| | – | 15,004 |
| | <hr/> <hr/> | <hr/> <hr/> |

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.

14. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

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

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

15. BORROWINGS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Bank borrowings | 4,248,341 | 3,879,270 |
| Other borrowings from financial institutions | 5,687,000 | 5,997,000 |
| Other borrowings from non-controlling shareholders | 274,607 | 296,147 |
| | <u>10,209,948</u> | <u>10,172,417</u> |
| Secured | 9,904,341 | 9,772,820 |
| Unsecured | 305,607 | 399,597 |
| | <u>10,209,948</u> | <u>10,172,417</u> |
| Carrying amount repayable based on repayment schedule: | | |
| Within one year | 9,084,328 | 4,266,637 |
| More than one year but not more than two years | 1,125,620 | 4,781,960 |
| More than two years but not more than five years | – | 1,123,820 |
| | <u>10,209,948</u> | <u>10,172,417</u> |
| Less: carrying amount repayable within one year and do not contain a repayable on demand clause | <u>(9,084,328)</u> | <u>(4,266,637)</u> |
| Amounts shown under current liabilities | <u>(9,084,328)</u> | <u>(4,266,637)</u> |
| Amounts shown under non-current liabilities | <u>1,125,620</u> | <u>5,905,780</u> |

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Variable-rate borrowings: | | |
| Within one year | 296,607 | 328,147 |
| Fixed-rate borrowings | | |
| Within one year | 8,787,721 | 3,938,490 |
| In more than one year but not more than two years | 1,125,620 | 4,781,960 |
| In more than two years but not more than five years | – | 1,123,820 |
| | <u>9,913,341</u> | <u>9,844,270</u> |

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| Effective interest rate: | | |
| – Fixed-rate borrowings | 4.4% – 12.0% | 4.4% – 12.0% |
| – Variable-rate borrowings | 2.5% – 3.0% | 1.5% – 3.0% |

- (a) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000 (2019: RMB157,000,000) as at 31 December 2020, the Group breached the repayment terms of which approximately RMB182,682,000 was in default since November 2019. The relevant bank borrowing is an entrusted loan entrusted by Shanghai Linyi Investment Partnership (Limited Partnership)* (“**Shanghai Linyi**”) made available to Baohua Properties (Jiangsu) Co., Ltd.* (“**Baohua Jiangsu**”), a 80% owned subsidiary of the Group. On 25 December 2019, Shanghai Linyi issued a legal letter to Baohua Jiangsu to demand for the outstanding principal, interest of approximately RMB182,682,000 and RMB3,040,000 respectively plus penalty interest at a daily rate of 0.1% since 9 November 2019. On 31 December 2019, Baohua Jiangsu made partial repayment of the principal of approximately RMB25,682,000.

On 7 January 2020, Shanghai Linyi further filed a claim to Shanghai Financial Court* against Baohua Jiangsu, Huajun Properties (Yangzhou) Co., Ltd.* (formerly known as Yangzhou Baohua Properties Limited*) (“**Huajun Properties Yangzhou**”), the Company and Mr. Meng for the outstanding principal of approximately RMB169,539,000 as at 31 December 2019 plus penalty interest at a daily rate of 0.1% since 31 December 2019. On 10 September 2020, Shanghai Financial Court handed down a judgement in favour of Shanghai Linyi and demanded immediate repayment from Baohua Jiangsu but concluded that the outstanding principal was RMB157,000,000 and unpaid interest of RMB3,040,000. Penalty interest shall be calculated at an annual rate of 24% since 9 November 2019. On 30 September 2020, Baohua Jiangsu filed an appeal to the Shanghai High Court against the interest rate determined by the Shanghai Financial Court. Up to the date of this announcement, the hearing date of the appeal is yet to be determined.

As at 31 December 2020, the entire outstanding bank borrowing of RMB157,000,000 (2019: RMB157,000,000) was classified as current liabilities and outstanding interest of RMB3,040,000 and provision for penalty interest of approximately RMB44,763,000 (2019: RMB12,539,000) based on an interest rate at 24% per annum were included under other payables.

- (b) In respect of a borrowing with an outstanding principal of RMB1,440,000,000 (2019: RMB1,440,000,000) as at 31 December 2020, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co., Ltd. – Shanghai Branch (“**China Great Wall**”) to Baohua Properties Development (Shanghai) Co., Ltd* (formerly known as Shanghai Baohua Wanlong Real Estate Co., Ltd.) (“**Baohua Shanghai**”), a wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd. (“**Baohua Real Estate Dalian**”) and guaranteed by the Company, Huajun Holdings Group Co., Ltd. (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the “**Guarantors**”). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 28 April 2020, Baohua Shanghai has obtained a written consent from China Great Wall to extend the repayment date of the principals of RMB240,000,000, RMB240,000,000 and RMB960,000,000 from March 2020, June 2020 and September 2020 respectively to March 2022, June 2022 and September 2022 respectively.

On 2 November 2020, the Group received a notice dated 30 October 2020 from the Shanghai Huangpu Notary Public Office (“**Shanghai Notary Office**”) (the “**Notice**”), stating that the lender has applied for the issuance of execution certificate (the “**Execution Certificate**”) to the Group due to the alleged failure of Baohua Shanghai to repay the loan within the specified period. According to the Notice, Baohua Shanghai has the right to object to the issuance of the Execution Certificate within five days after receiving the Notice. On 5 November 2020, Baohua Shanghai submitted an objection letter against the issuance of the Execution Certificate to Shanghai Notary Office. On 28 December 2020, Baohua Shanghai received a second notice dated 23 November 2020 from Shanghai Notary Office, which stated that Baohua Shanghai’s objection against the issuance of the Execution Certificate was not accepted. Baohua Shanghai received further notices from Shanghai Notary Office dated 25 December 2020 and 8 January 2021 respectively in respect of amendments to the computation of compound interest, penalty interest and damages from the default of borrowings. On 11 January 2021, the Execution Certificate was issued by Shanghai Notary Office, pursuant to which China Great Wall can use the Execution Certificate for application to the relevant courts of the PRC for enforcement. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 5 February 2021, the Shanghai Financial Court issued a notice of execution against Baohua Shanghai, pursuant to which Baohua Shanghai was ordered to pay the outstanding balance of the borrowing plus interest to China Great Wall. On the same date, the Shanghai Financial Court also issued an asset report order against Baohua Shanghai, Baohua Real Estate Dalian and the Guarantors pursuant to which the Guarantors are required to report their assets and relevant financial information to the court.

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law, and is waiting for the court to decide whether to terminate the enforcement. The Company is currently seeking legal advice on the enforcement. As at 31 December 2020, the entire outstanding borrowing of RMB1,440,000,000 (2019: RMB1,440,000,000) was classified as current liabilities and outstanding interest, penalty interest, compound interest and damages of approximately RMB209,581,000 (2019: nil) were included under other payables.

- (c) In respect of a borrowing with an outstanding principal of RMB32,000,000 (2019: RMB32,000,000), the Group breached the repayment terms of which the entire loan principal of RMB32,000,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd (“**Zheshang Bank**”) to Shenzhen Huajun Financial Leasing Co., Ltd* (“**Shenzhen Huajun Financial Leasing**”), a 70% owned subsidiary of the Company.

On 10 July 2020, Zheshang Bank filed a claim to Shenzhen Futian District People’s Court* against Shenzhen Huajun Financial Leasing for the outstanding principal of RMB32,000,000 plus unpaid interest (including penalty interest and additional interest) of approximately RMB332,000. The hearing of the claim was held on 16 September 2020. On 3 December 2020, Shenzhen Futian District People’s Court handed down a judgement to demand Shenzhen Huajun Financial Leasing to repay the outstanding principal and interest (including penalty interest and compound interest) of approximately RMB32,000,000 and RMB1,320,000 accumulated up to 19 November 2020. Thereafter, penalty interest and compound interest shall be calculated at 8.34% per annum. On 30 December 2020, Shenzhen Huajun Financial Leasing filed an appeal to the Guangdong, Shenzhen Intermediate People’s Court against the interest rate determined by the Shenzhen Futian District People’s Court.

As at 31 December 2020, the entire outstanding bank borrowing of RMB32,000,000 (2019: RMB32,000,000) was classified as current liabilities and outstanding interest of approximately RMB108,000 and penalty interest and compound interest of approximately RMB1,952,000 based on the judgement rate at 8.34% per annum (2019: nil) were included under other payables.

- (d) In respect of a borrowing with an outstanding principal of RMB199,659,000 (2019: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The loan was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.* (“**Jiangnan Rural Bank**”) to Huajun Properties (Changzhou) Company Limited* (“**Huajun Changzhou**”), a wholly-owned subsidiary of the Company.

In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court* against Huajun Changzhou. The first hearing for claims are scheduled to be held on 22 December 2021 and on 10 January 2022.

As at 31 December 2020, the entire outstanding bank borrowing of approximately RMB199,659,000 (2019: RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB8,194,000 (2019: nil) were included under other payables.

- (e) In respect of a borrowing with an outstanding principal of RMB4,247,000,000 (2019: RMB4,247,000,000), there were interest payments of RMB193,191,000 and RMB192,141,000 which was due on 22 June 2020 and 23 December 2020 respectively. The loan was granted by a financial institution in the PRC to Huajun Property (Wuxi) Co., Ltd.* (“**Huajun Wuxi**”), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB4,247,000,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding principal of RMB4,247,000,000 (2019: RMB4,247,000,000) was classified as current liabilities and outstanding interest of approximately RMB385,332,000 (2019: nil) and penalty interest of approximately RMB14,353,000 (2019: nil) based on contractual terms was included under other payables. The Group is currently negotiating with the lender for extension of repayment of such outstanding amount and no legal claims have been issued by the lender.

- (f) In respect of a borrowing with an outstanding principal of RMB300,000,000 (2019: nil), which was due on 17 December 2020. The loan was granted by Yingkou Coastal Bank Co., Ltd (“**Yingkou Coastal Bank**”) to Huajun Properties (Dalian) Company Limited (“**Huajun Properties (Dalian)**”), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB300,000,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding bank borrowing of RMB300,000,000 was classified as current liabilities and outstanding interest of RMB4,650,000 (2019: nil) and penalty interest of RMB1,050,000 (2019: nil) based on contractual terms was included under other payables. The Group is currently negotiating with Yingkou Coastal Bank for refinancing arrangement of such borrowings and no legal claims have been issued by Yingkou Coastal Bank.

- (g) Subsequent to the end of the reporting period, the Group has several tranches of borrowings from Yingkou Coastal Bank of which an aggregate loan principals of RMB1,026,310,000 due in March 2021. Pursuant to the terms of the loan agreements, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principals of RMB1,026,310,000 together with any unpaid interest.

As at 31 December 2020, the entire outstanding bank borrowings of RMB1,026,310,000 was classified as current liabilities. The Group is currently negotiating with Yingkou Coastal Bank for refinancing arrangement of such borrowings and no legal claims have been issued by Yingkou Coastal Bank.

Subsequent to the end of the reporting period, the Group has obtained a letter of intent for new banking facilities of approximately RMB2,658.8 million issued by Yingkou Coastal Bank. The Group is expected to utilise such banking facilities to refinance the loan principal of RMB300,000,000 as disclosed in note 15(f) and the borrowings due in March 2021.

16. SHARE CAPITAL

| | Number of shares | | Share capital | |
|--|----------------------|----------------|----------------------|------------------|
| | 2020 ’000 | 2019 ’000 | 2020 HK\$’000 | 2019 HK\$’000 |
| Ordinary shares | | | | |
| Authorised: | | | | |
| Ordinary shares of HK\$1.00 each | | | | |
| At the beginning and end of the reporting year | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> |
| | ’000 | ’000 | RMB’000 | RMB’000 |
| Issued and fully paid: | | | | |
| At the beginning of the reporting year | 61,543 | 60,669 | 55,983 | 55,203 |
| Issue of shares | <u>—</u> | <u>874</u> | <u>—</u> | <u>780</u> |
| At the end of the reporting year | <u>61,543</u> | <u>61,543</u> | <u>55,983</u> | <u>55,983</u> |

17. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in note 15, there are no other material events after the reporting period.

BUSINESS REVIEW

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

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

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

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

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

| | For the year ended 31 December 2020 | | For the year ended 31 December 2019 | |
|--------------------------------------|--|-------------|--|---------------|
| | <i>RMB Million</i> | <i>%</i> | <i>RMB Million</i> | <i>%</i> |
| Printing | 440.5 | 12.5% | 670.2 | 18.1% |
| Trading and logistics | 2,050.7 | 58.3% | 2,203.7 | 59.6% |
| Property development and investments | 802.7 | 22.8% | 677.0 | 18.3% |
| Solar photovoltaic | 109.5 | 3.1% | 92.7 | 2.5% |
| Financial services | 4.9 | 0.1% | 7.6 | 0.2% |
| Other | 107.2 | 3.2% | 48.4 | 1.3% |
| | <u>3,515.5</u> | <u>100%</u> | <u>3,699.6</u> | <u>100.0%</u> |

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

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

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

Printing

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

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

Trading and logistics

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

Property development and investments

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

Shanghai Huajun Plaza

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 Huajun Plaza* (上海華君廣場) (formerly known as Shanghai Bao Hua International Plaza* (上海保華國際廣場)) with total gross floor area (“GFA”) of approximately 125,000 square metres. We have obtained the pre-sale certificate in January 2020, 40% of the office properties would be sold and the remaining office and commercial properties will be held for long term investment purpose to generate rental income.

Dalian Projects

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

Property for sale – Gaoyou

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

Property for sale – Wuxi Project

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

- (i) a completed building known as Wuai Renjia (五愛人家) located at Liangxi District, Wuxi City in the PRC with a 13-storey complex building for residential, office and retail purposes with total saleable/lettable area of approximately 20,000 square meters. On 31 July 2020, the Group has disposed of the entire equity interests in Wuxi Huiyuan, which including its principal assets, Wuai Renjia.
- (ii) A residential development named as Zangpin Yuyuan (藏品裕苑) located at Jiangyin District, Wuxi City in the PRC with parcel of land with a site area of approximately 109,000 square metres, and a total of 4 phases of various residential and ancillary facilities which have been developed.
- (iii) A parcel of land located at Binhu District, Wuxi City in the PRC with site area of approximately 163,000 square meters for residential development with project named Huajun Lake Bay Garden (華君湖灣花園).

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

Solar photovoltaic

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

Finance services

(i) *Finance Lease*

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

(ii) *Provision of Finance*

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

(iii) *Securities Investments*

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

(iv) *Securities brokerage and assets management*

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

FINANCIAL REVIEW

Revenue

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

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

Gross profit and gross profit margin

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

Finance costs for the Current Year was approximately RMB898.7 million (Last Year: approximately RMB572.3 million). The increase was primarily due to increase in the average loan balances and increase lead to interest expense on bank and other borrowings, the increase was also due to accrual for penalty interest and provision for liquidated damage for certain loan agreements as disclosed in note 15.

Change in fair value of investment properties

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

Impairment loss of property, plant and equipment

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

Loss for the year

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

Liquidity, financial resources and capital structure

Shareholders' funds

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

Financial position

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

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

Cash and cash equivalents

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

Borrowings

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

Capital expenditure

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

Pledge of assets

As at 31 December 2020, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB707.7 million, RMB267.0 million, RMB5,681.6 million, RMB5,104.5 million, RMB10.0 million, RMB46.9 million and RMB46.9 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CONTINGENT LIABILITIES

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

- (a) A cooperation agreement entered between the Group and an independent third party in June 2017 were not proceeded due to the failure to comply with certain urban renewal policies in Guangdong Province, the PRC and the relating project shall be terminated. Accordingly, the counterparty has raised a civil prosecution to Guangdong High Court against the Group regarding the breach of the cooperation agreement. The hearing was held on 29 March 2019 and a judgement was handed down by Guangdong High Court on 29 September 2019, requesting the Group to refund the deposit received of RMB50,000,000 and pay for damages of RMB80,000,000 to the counterparty. The Group filed an appeal to the Guangdong High Court and the hearing was held in October 2020. The appeal was rejected and the Group is still liable to refund the deposit of RMB50,000,000 and pay damages of RMB80,000,000. The Group has made a provision of RMB80,000,000 in respect of the damages in the financial statement. In December 2020, the Group has applied for retrial to the Supreme People's Court.
- (b) On 6 March 2018, the Group entered into three share transfer agreements with an independent third party for the transfer of equity interest of three property companies in Wuxi. The Group failed to pay the outstanding consideration and related interest on or before 12 March 2018. The counterparty raised a civil prosecution to the Jiangsu High Court against the Group on 20 April 2020. The hearing was held on 14 August 2020 and a judgement was handed down on 14 September 2020, requesting the Group to pay for damages of approximately RMB31,574,000 to the counterparty. The Group filed an appeal to Jiangsu High Court and the hearing was held on 25 March 2021 but judgement was not handed down yet. The Group has made a provision of RMB31,574,000 based on initial judgement handed down by the Jiangsu High Court.

STAFF

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

Huaren Real Estate

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

Dalian Henglifeng Project

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

Huajun Intelligent Energy

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

Wuxi Huiyuan

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

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

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 2020, 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 (“**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.

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 2020 as set out in this announcement.

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.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Except as disclosed in note 17, the Group has no significant events after 31 December 2020.

DIVIDEND

The Board did not recommend the payment of a final dividend for the Current Year (the Last Year: 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 2020 as set out below:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

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

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

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

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.chinahuajungroup.com/>).

By Order of the Board
China Huajun Group Limited
Meng Guang Bao
Chairman and Executive Director

Hong Kong, 31 March 2021

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