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Fullshare Holdings Limited

豐盛控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00607)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Fullshare Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year 2020**”), together with the comparative figures for the previous year prepared in accordance with the generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

		2020	2019
	Note	RMB'000	RMB'000
Revenue	4,5	16,171,377	11,163,103
Cost of sales and services	8	(12,736,401)	(8,858,077)
Gross profit		3,434,976	2,305,026
Selling and distribution expenses	8	(473,300)	(504,746)
Administrative expenses	8	(942,450)	(918,625)
Research and development costs	8	(517,749)	(404,238)
Share-based payment expenses	8	(547,674)	—
Net impairment losses on financial assets and financial guarantee contracts	3d	(1,077,850)	(510,068)
Other income		461,894	673,640
Net fair value changes in financial instruments	6	56,152	(2,824,876)
Other losses – net	7	(65,846)	(26,436)
Operating profit/(loss)		328,153	(2,210,323)
Finance costs	9	(605,003)	(827,352)
Share of results of joint ventures		6,513	(252,047)
Share of results of associates		(27,095)	76,046

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Loss before tax		(297,432)	(3,213,676)
Income tax (expenses)/credit	10	<u>(400,848)</u>	<u>369,558</u>
Loss for the year		<u>(698,280)</u>	<u>(2,844,118)</u>
Other comprehensive income/(loss) for the year:			
<i>Items that may be reclassified to profit or loss:</i>			
– Exchange differences on translation of foreign operations		(5,249)	(43,219)
– Changes in fair value of debt instruments at fair value through other comprehensive income		5,161	(9,005)
– Share of other comprehensive income/(loss) of associates		1,839	(50,392)
– Income tax relating to these items		(3,661)	1,724
<i>Items that will not be reclassified to profit or loss:</i>			
– Changes in fair value of equity instruments at fair value through other comprehensive income		144,214	49,477
– Income tax relating to these items		<u>(42,082)</u>	<u>(43,701)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>100,222</u>	<u>(95,116)</u>
Total comprehensive loss for the year		<u>(598,058)</u>	<u>(2,939,234)</u>
(Loss)/profit for the year attributable to:			
– Equity shareholders of the Company		(894,305)	(2,874,192)
– Non-controlling interests		<u>196,025</u>	<u>30,074</u>
		<u>(698,280)</u>	<u>(2,844,118)</u>
Total comprehensive (loss)/income for the year attributable to:			
– Equity shareholders of the Company		(831,658)	(2,994,493)
– Non-controlling interests		<u>233,600</u>	<u>55,259</u>
		<u>(598,058)</u>	<u>(2,939,234)</u>
Loss per share attributable to equity shareholders of the Company			
Basic loss per share	12	<u>RMB(0.045)</u>	<u>RMB(0.146)</u>
Diluted loss per share	12	<u>RMB(0.045)</u>	<u>RMB(0.146)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		5,535,884	5,726,220
Investment properties		4,958,399	4,019,290
Right-of-use assets		1,397,256	1,667,466
Goodwill		1,913,158	2,089,430
Other intangible assets		430,014	505,564
Investments in joint ventures		398,865	387,025
Investments in associates		1,707,076	1,724,784
Financial assets at fair value through other comprehensive income		3,066,069	3,443,298
Financial assets at fair value through profit or loss		380,179	588,517
Loans receivables		–	48,217
Other financial assets at amortised cost		1,045,689	1,019,182
Other receivables		2,815	12,075
Prepayments		49,349	186,787
Deferred tax assets		663,144	570,453
		21,547,897	21,988,308
Current assets			
Inventories		3,707,244	2,588,785
Trade receivables	13	3,161,080	2,465,152
Consideration receivables		129,896	183,678
Loans receivables		1,658,704	2,705,794
Prepayments		1,366,453	302,079
Other receivables		1,876,325	2,571,609
Other financial assets at amortised cost		–	254,050
Income tax prepaid		2,403	39,460
Financial assets at fair value through other comprehensive income		3,504,200	2,880,568
Financial assets at fair value through profit or loss		1,313,913	1,540,270
Properties under development		696,681	190,677
Properties held for sale		438,770	553,432
Restricted cash		1,670,336	2,731,254
Cash and cash equivalents		2,490,570	2,797,003
		22,016,575	21,803,811

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current liabilities			
Trade and bills payables	14	6,797,908	6,090,338
Other payables and accruals	15	2,779,029	3,116,778
Contract liabilities		2,238,334	575,808
Corporate bonds	17	–	1,923,316
Lease liabilities		45,611	39,808
Bank and other borrowings	16	5,019,531	5,199,030
Income tax payable		937,787	824,593
Warranty provision		578,595	216,868
Deferred income		25,778	23,944
		18,422,573	18,010,483
Net current assets		3,594,002	3,793,328
Total assets less current liabilities		25,141,899	25,781,636
Non-current liabilities			
Corporate bonds	17	–	498,437
Bank and other borrowings	16	2,197,601	2,531,387
Derivative financial instruments		43,362	59,952
Deferred income		177,551	185,189
Lease liabilities		371,802	404,855
Warranty provision		372,480	97,164
Deferred tax liabilities		1,182,123	1,136,831
		4,344,919	4,913,815
Net assets		20,796,980	20,867,821
Capital and reserves			
Share capital		160,872	160,872
Reserves		17,014,829	17,447,686
Equity attributable to equity shareholders of the Company		17,175,701	17,608,558
Non-controlling interests		3,621,279	3,259,263
Total equity		20,796,980	20,867,821

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries are referred to as the “**Group**” hereinafter. The Group is principally engaged in the following principal activities:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The preparation of consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

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

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

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

(b) New standards and interpretations not yet adopted

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

- Amendments to HKFRS 16, 'COVID-19-Related Rent Concessions', effective for the accounting period beginning on or after 1 June 2020
- Amendments to HKFRS 3, 'Reference to the Conceptual Framework', effective for the accounting period beginning on or after 1 January 2022
- Amendments to HKAS 16, 'Property, Plant and Equipment: Proceeds before Intended Use', effective for the accounting period beginning on or after 1 January 2022
- Amendments to HKAS 37, 'Onerous Contracts — Cost of Fulfilling a Contract', effective for the accounting period beginning on or after 1 January 2022
- Annual Improvements to HKFRSs 2018-2020 Cycle, effective for the accounting period beginning on or after 1 January 2022
- Amendments to HKAS 1, 'Classification of Liabilities as Current or Non-current', effective for the accounting period beginning on or after 1 January 2023
- HKFRS 17, 'Insurance contract', effective for the accounting period beginning on or after 1 January 2023

Credit risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

(a) Trade receivables

The expected credit loss (“ECL”) provision as at 31 December 2020 and 2019 was determined as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	More than 4 years RMB'000	Total RMB'000
2020						
ECL rate	2.28%	34.61%	56.62%	85.16%	100.00%	11.04%
Gross carrying amount under ECL model (excluding debtors of which 100% loss allowances have been provided)	<u>3,127,563</u>	<u>104,474</u>	<u>65,736</u>	<u>53,559</u>	<u>202,067</u>	<u>3,553,399</u>
Loss allowances under ECL model	(71,257)	(36,160)	(37,222)	(45,613)	(202,067)	(392,319)
100% loss allowances specifically provided	<u>(91,665)</u>	<u>(1,630)</u>	<u>(16,834)</u>	<u>(75,261)</u>	<u>(17,151)</u>	<u>(202,541)</u>
Loss allowances	<u>(162,922)</u>	<u>(37,790)</u>	<u>(54,056)</u>	<u>(120,874)</u>	<u>(219,218)</u>	<u>(594,860)</u>
Net carrying amount	<u><u>3,056,306</u></u>	<u><u>68,314</u></u>	<u><u>28,514</u></u>	<u><u>7,946</u></u>	<u><u>–</u></u>	<u><u>3,161,080</u></u>
2019						
ECL rate	2.97%	23.61%	44.35%	82.73%	100.00%	15.35%
Gross carrying amount under ECL model (excluding debtors of which 100% loss allowances have been provided)	<u>2,293,052</u>	<u>189,142</u>	<u>155,851</u>	<u>52,320</u>	<u>221,827</u>	<u>2,912,192</u>
Loss allowances under ECL model	(68,156)	(44,649)	(69,125)	(43,283)	(221,827)	(447,040)
100% loss allowances specifically provided	<u>(1,873)</u>	<u>(24,861)</u>	<u>(56,320)</u>	<u>(6,652)</u>	<u>(11,740)</u>	<u>(101,446)</u>
Loss allowances	<u>(70,029)</u>	<u>(69,510)</u>	<u>(125,445)</u>	<u>(49,935)</u>	<u>(233,567)</u>	<u>(548,486)</u>
Net carrying amount	<u><u>2,224,896</u></u>	<u><u>144,493</u></u>	<u><u>86,726</u></u>	<u><u>9,037</u></u>	<u><u>–</u></u>	<u><u>2,465,152</u></u>

3 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

Note:

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

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

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

(c) Financial guarantee contracts

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

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

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

4 OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

4 OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2020						
	Properties	Tourism	Investment and financial services	Healthcare, education and others	New energy	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:						
Sales to external customers	261,754	114,385	19,142	407,585	15,368,511	16,171,377
Fair value changes in financial instruments	—	—	56,152	—	—	56,152
Segment results	514,015	(252,222)	(1,081,265)	(115,255)	1,329,129	394,402
Reconciliation:						
Unallocated bank interest income						76,606
Losses on disposal of subsidiaries (Note 7)						(4,058)
Loss on disposal of an associate (Note 7)						(12,388)
Unallocated income and losses						(50,076)
Corporate and other unallocated expenses						(96,915)
Finance costs (Note 9)						(605,003)
Loss before tax						(297,432)
Segment assets	9,157,611	502,577	6,400,471	938,454	21,529,293	38,528,406
Reconciliation:						
Corporate and other unallocated assets						5,036,066
Total assets						43,564,472
Segment liabilities	1,162,377	67,449	148,248	440,908	10,484,118	12,303,100
Reconciliation:						
Corporate and other unallocated liabilities						10,464,392
Total liabilities						22,767,492

4 OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2020							
	Investment and Healthcare, financial education services and others					New	Total
	Properties	Tourism	financial	education	energy	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information:							
Share of (loss)/profit of joint ventures	(11,105)	–	–	–	18,018	(400)	6,513
Share of profit/(loss) of associates	18,295	(2)	–	(23,986)	(21,402)	–	(27,095)
Impairment losses on property, plant and equipment (Note 7)	–	193,818	–	–	65,074	–	258,892
Impairment losses on goodwill (Note 7)	–	–	35,319	146,350	–	–	181,669
Net provision for impairment losses of financial assets and financial guarantee contracts (Note 3d)	–	4,095	1,032,668	1,311	39,776	–	1,077,850
Depreciation and amortisation (Note 8)	1,931	29,024	4,401	50,618	538,959	7,483	632,416
Investments in joint ventures	269,637	–	–	–	129,228	–	398,865
Investments in associates	1,336,850	20,065	–	133,169	216,992	–	1,707,076
Capital expenditure*	547,820	18,044	2,866	40,834	402,016	319	1,011,899

4 OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019						
	Properties	Tourism	Investment and financial services	Healthcare, education and others	New energy	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:						
Sales to external customers	525,904	371,624	45,273	350,514	9,869,788	11,163,103
Fair value changes in financial instruments	—	—	(2,824,876)	—	—	(2,824,876)
Segment results	31,891	(34,851)	(3,222,296)	41,452	635,446	(2,548,358)
Reconciliation:						
Unallocated bank interest income						82,168
Gains on disposal of subsidiaries (Note 7)						39,098
Losses on disposal of associates (Note 7)						(5,093)
Gain on disposal of a joint venture (Note 7)						1,469
Gain on disposal of disposal group (Note 7)						28,237
Unallocated income and losses						86,922
Corporate and other unallocated expenses						(70,767)
Finance costs (Note 9)						(827,352)
Loss before tax						(3,213,676)
Segment assets	8,081,372	795,851	8,637,192	1,166,761	18,718,805	37,399,981
Reconciliation:						
Corporate and other unallocated assets						6,392,138
Total assets						43,792,119
Segment liabilities	977,779	52,524	192,989	458,736	8,017,159	9,699,187
Reconciliation:						
Corporate and other unallocated liabilities						13,225,111
Total liabilities						22,924,298

4 OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019							
			Investment and financial services	Healthcare, education and others	New energy	Unallocated	Total
	Properties <i>RMB'000</i>	Tourism <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information:							
Share of (loss)/profit of joint ventures	(267,891)	–	–	–	15,844	–	(252,047)
Share of profit/(loss) of associates	90,793	(54)	–	(3,601)	(11,092)	–	76,046
Impairment losses on property, plant and equipment (<i>Note 7</i>)	–	–	–	–	8,003	–	8,003
Impairment losses on goodwill (<i>Note 7</i>)	–	–	54,000	–	–	–	54,000
Net (reversal of)/provision for impairment losses on financial assets and financial guarantee contracts (<i>Note 3d</i>)	(16,406)	1,368	528,828	–	–	(3,722)	510,068
Depreciation and amortisation (<i>Note 8</i>)	6,706	27,495	2,422	27,397	608,397	4,340	676,757
Investments in joint ventures	275,815	–	–	–	111,210	–	387,025
Investments in associates	1,369,102	20,069	–	159,812	175,801	–	1,724,784
Capital expenditure*	<u>293,232</u>	<u>32,931</u>	<u>4,717</u>	<u>173,040</u>	<u>799,817</u>	<u>41,827</u>	<u>1,345,564</u>

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

(i) Revenue from external customers by locations of customers

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
People's Republic of China (the "PRC")	13,097,492	7,798,746
United States of America	1,605,518	2,043,995
Europe	250,757	521,225
Australia	494,165	488,079
Other countries	<u>723,445</u>	<u>311,058</u>
	<u>16,171,377</u>	<u>11,163,103</u>

4 OPERATING SEGMENT INFORMATION (Continued)

(ii) Non-current assets by locations of assets

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

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

(iii) Information about major customers

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A*	<u>2,363,793</u>	<u>2,980,529</u>
Customer B*	<u>N/A[#]</u>	<u>1,224,934</u>

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

[#] The revenue from this customer for the year ended 31 December 2020 did not contribute over 10% of the total sales of the Group.

(i) Revenue from contracts

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers		
Properties segment:		
– Property development and sales	38,839	269,673
– Construction services	11,052	24,889
	<u>49,891</u>	<u>294,562</u>
Tourism segment:		
– Hotel operations	108,195	183,508
– Sales of tourist goods and services	6,190	188,116
	<u>114,385</u>	<u>371,624</u>
New energy segment:		
– Sales of gear products and trade of goods	15,368,511	9,869,788
Investment and financial services segment:		
– Investment and financial consulting services	19,142	45,273
Healthcare, education and others segment:		
– Education services	407,562	306,355
– Healthcare products and other services	23	44,159
	<u>407,585</u>	<u>350,514</u>
Revenue from other sources		
Properties segment:		
– Gross rental income	211,863	231,342
	<u>16,171,377</u>	<u>11,163,103</u>

The revenue from contracts with customers disaggregated by timing of revenue recognition as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Timing of revenue recognition:		
– Recognised at a point in time	15,413,563	10,371,736
– Recognised over time	757,814	791,367
	<u>16,171,377</u>	<u>11,163,103</u>

5 REVENUE (Continued)

(ii) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities related to:		
– Property development and sales	18,611	31,990
– Manufacture and sale of mechanical transmission equipment products	2,203,973	529,255
– Others	15,750	14,563
	<u>2,238,334</u>	<u>575,808</u>

6 NET FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fair value gains/(losses) in financial assets at fair value through profit or loss (“ FVPL ”) (<i>Note</i>)	17,465	(2,869,499)
Fair value gains in derivative financial instruments	38,687	44,623
	<u>56,152</u>	<u>(2,824,876)</u>

Note:

The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss for the year ended 31 December 2019 mainly due to the price decrease of 949,224,000 shares of Zall Smart Commerce Group Ltd (2098.SEHK) held by the Group.

7 OTHER LOSSES – NET

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gains on disposal of subsidiaries	(4,058)	39,098
Fair value gains of investment properties	570,037	60,829
Losses on disposal of property, plant and equipment	(4,379)	(39,399)
Losses on disposal of associates	(12,388)	(5,093)
Loss on swap contracts	(32,960)	(58,833)
Gain on disposal of a joint venture	–	1,469
Gain on disposal of disposal group	–	28,237
Impairment losses on property, plant and equipment	(258,892)	(8,003)
Impairment losses on goodwill	(181,669)	(54,000)
Impairment losses on prepayments	(20,937)	(43,123)
Foreign exchange (losses)/gains – net	(120,600)	47,770
Others	–	4,612
	<hr/>	<hr/>
	(65,846)	(26,436)
	<hr/> <hr/>	<hr/> <hr/>

8 EXPENSES BY NATURE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Employee benefit expenses:		
Directors' remuneration		
– Fees	1,920	1,904
– Salaries, allowances and benefits in kind	1,757	3,097
– Discretionary bonuses	320	465
– Pension scheme contributions	92	100
	<u>4,089</u>	<u>5,566</u>
Other staff costs		
– Salaries and other benefits	1,803,630	1,684,714
– Equity-settled share-based payment expenses (<i>Note (b)</i>)	547,674	–
– Pension scheme contributions	97,602	117,134
	<u>2,448,906</u>	<u>1,801,848</u>
	<u>2,452,995</u>	<u>1,807,414</u>
Other items:		
Cost of inventories sold	10,724,112	6,816,086
Depreciation of property, plant and equipment	485,126	539,740
Cost of properties sold	74,667	160,095
Advertising expenses	68,052	120,620
Office expenses	127,472	139,932
Amortisation of other intangible assets	73,124	85,706
Depreciation of right-of-use assets	74,166	51,311
Provision for/(reversal of) inventories write-down	37,565	(58,450)
Expenses relating to short-term leases	22,143	35,339
Expenses relating to leases of low-value assets	2,076	5,494
Auditors' remuneration		
– Audit services	7,750	6,750
– Non-audit services	4,198	6,285
Sundry taxes	93,134	44,350
Others (<i>Note (a)</i>)	970,994	925,014
Total expenses	<u>15,217,574</u>	<u>10,685,686</u>
Representing:		
– Cost of sales and services	12,736,401	8,858,077
– Selling and distribution expenses	473,300	504,746
– Administrative expenses	942,450	918,625
– Research and development costs	517,749	404,238
– Share-based payment expenses	547,674	–
	<u>15,217,574</u>	<u>10,685,686</u>

8 EXPENSES BY NATURE (Continued)

Note:

- (a) The “Other expenses” items were mainly indirect production expenses, other consulting fees, direct operating expenses incurred for investment properties and technical service fees.
- (b) On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海驪福企業管理合夥企業(有限合夥))(the “**Employee Partnership Enterprise**”), entered into the capital increase agreement with (i) Nanjing Gear Enterprise Management Co., Ltd* (南京高齒企業管理有限公司)(“**Nanjing Gear**”), an indirect wholly-owned subsidiary of China High Speed Transmission Equipment Group Co., Ltd* (中國高速傳動設備集團有限公司)(“**CHS**”, a non-wholly owned subsidiary of the Company, together with its subsidiaries as “**CHS Group**”), and (ii) its direct wholly-owned subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd* (南京高速齒輪製造有限公司)(“**Nanjing High Speed**”), pursuant to which the Employee Partnership Enterprise agreed to make the capital contribution in an aggregate amount of RMB150,000,000 (the “**Contribution**”) in cash to the registered capital of Nanjing High Speed in return for an approximately 6.98% enlarged equity interest in Nanjing High Speed (the “**Capital Increase**”). The Capital Increase was completed on 24 December 2020. Since the Employee Partnership Enterprise has been established to incentivise the core employees of CHS Group through holding the equity interest in Nanjing High Speed for and on behalf of certain designated employees of the CHS Group, it is accounted for as a share-based payment transaction.

The share-based payment expenses of RMB547,674,000 recognised in profit or loss was derived from the difference between the proportionate 6.98% interest in fair value of Nanjing High Speed amounting to approximately RMB697,675,000 and the Contribution.

The fair value of Nanjing High Speed at the date of completion of Capital Increase was assessed with reference to the consideration of RMB4,300,000,000 for the proposed disposal of 43% equity interest of Nanjing High Speed to an independent third party on 30 March 2021. Details of the disposal are set out in Note 21.

Details of the Capital Increase are set out in the joint announcement made by the Company and CHS dated 6 December 2020 and the announcement and circular of CHS dated 23 December 2020 and 24 December 2020, respectively.

9 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	502,993	680,387
Interest on corporate bonds (<i>Note 17</i>)	78,367	165,072
Interest on lease liabilities	23,643	16,014
Less: Interest capitalised	—	(34,121)
	<u>605,003</u>	<u>827,352</u>

10 INCOME TAX

The Group calculates the income tax expenses/(credit) for the year using the tax rates prevailing in the jurisdictions in which the Group operates.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – expenses for the year		
– The PRC	358,462	215,406
– Hong Kong	80,023	16,761
– Australia	16,893	825
– Others	206	–
Current tax – (over)/under provision in respect of prior years	(8,015)	1,261
Deferred tax	(46,721)	(603,811)
	<u>400,848</u>	<u>(369,558)</u>

(a) PRC corporate income tax (“CIT”)

PRC CIT has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group’s PRC subsidiaries, except those listed below, for the year ended 31 December 2020.

The following subsidiaries are qualified as high technology development enterprises and thus subject to a preferential tax rate of 15% for 3 years from the date of approval:

Name of company	Year end during which approval was obtained
Nanjing High Speed	31 December 2020
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.* (南京高精齒輪集團有限公司)(“ Nanjing High Accurate ”)	31 December 2020
Nanjing High Accurate Rail Transportation Equipment Co., Ltd* (南京高精軌道交通設備有限公司)(“ Rail Transportation ”)	31 December 2020

Note:

The approvals of preferential tax rate of Nanjing High Speed, Nanjing High Accurate and Rail Transportation were issued on 27 December 2017, 17 November 2017 and 7 December 2017 respectively and were all renewed on 2 December 2020. The preferential tax rate was applicable for 3 years when it was first approved by the taxation authority and therefore a 15% preferential tax rate was applied for these subsidiaries in the calculation of CIT for the year ended 31 December 2020.

10 INCOME TAX (Continued)

(b) PRC land appreciation tax (“LAT”)

According to the requirements of the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

(c) Other corporate income tax

Enterprises incorporated in other places other than the PRC are subject to income tax rates of 8.25% to 30% (2019: 8.25% to 30%) prevailing in the places in which these enterprises operated for the year ended 31 December 2020.

11 DIVIDENDS

The board has resolved not to declare a final dividend for the years ended 31 December 2020 and 2019.

12 LOSS PER SHARE

The basic and diluted loss per share attributable to equity shareholders of the Company is calculated as follows:

	2020 RMB'000	2019 RMB'000
Loss for the purpose of calculating the basic and diluted loss per share	<u>(894,305)</u>	<u>(2,874,192)</u>
Weighted average number of ordinary shares in issue	<u>19,687,870,331</u>	<u>19,714,075,497</u>
Basic and diluted loss per share	<u>RMB(0.045)</u>	<u>RMB(0.146)</u>

There were no potential dilutive ordinary shares outstanding due to outstanding share options for the years ended 31 December 2020 and 2019. For the years ended 31 December 2020 and 2019, the weighted average numbers of ordinary shares in issue were adjusted by 17,521,400 shares which is held for the Group’s share award scheme.

13 TRADE RECEIVABLES

		2020	2019
	Note	RMB'000	RMB'000
Trade receivables			
– Amounts due from third parties		3,750,518	3,003,291
– Amounts due from joint ventures		5,422	10,347
Less: Loss allowance	3(a)	(594,860)	(548,486)
		<u>3,161,080</u>	<u>2,465,152</u>

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	RMB'000
Within 90 days	2,747,931	1,904,273
91 to 180 days	200,825	99,262
181 to 365 days	106,406	221,361
Over 365 days	105,918	240,256
	<u>3,161,080</u>	<u>2,465,152</u>

The Group generally allows a credit period of 180 days (2019: 180 days) to its trade customers for gear products. Apart from that, the Group does not have a standardised and universal credit period granted to its customers for other sales, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts, as appropriate. Trade receivables are non-interest-bearing.

All of the amounts due from the Group's joint ventures are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

14 TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables		
– Amounts due to third parties	3,546,059	2,204,139
– Amount due to a joint venture	1,127	1,115
– Amount due to an associate	253	318
Bills payables	3,250,469	3,884,766
	<u>6,797,908</u>	<u>6,090,338</u>

14 TRADE AND BILLS PAYABLES (Continued)

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and the date of issuance of the bills, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	4,187,599	2,712,836
91 to 180 days	686,510	856,623
181 to 365 days	1,451,783	2,313,853
Over 365 days	472,016	207,026
	<u>6,797,908</u>	<u>6,090,338</u>

Trade payables due to associates and joint ventures included in the trade and bills payables are repayable within 90 days (2019: 90 days), which represents credit terms similar to those offered by the associates or joint ventures to their major customers.

Trade payables are interest-free and are normally settled on terms of 90 to 180 days (2019: 90 to 180 days).

15 OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Accruals	766,876	1,029,335
Amounts due to joint ventures	2,050	—
Amounts due to associates	—	221
Other tax payables	174,424	124,171
Other payables	463,590	551,587
Refundable deposit received (<i>Note</i>)	1,000,000	1,000,000
Payroll and welfare payables	259,412	215,482
Liability arising from financial guarantee contracts	19,103	28,115
Payables for purchase of property, plant and equipment	93,574	167,867
	<u>2,779,029</u>	<u>3,116,778</u>

All of the amounts due to joint ventures and associates are unsecured, interest-free and repayable within 180 days (2019: 180 days).

Note:

On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) (“**Five Seasons XVI**”) and Mr. Ji entered into a non-legally binding memorandum of understanding (“**MOU**”) with an independent third party, Neoglory Prosperity Inc. (新光圓成股份有限公司), a PRC company listed on SZSE (002147.SZSE) (“**Potential Offeror**”), in relation to a possible conditional voluntary partial cash offer for more than 50% but not exceeding 75% of the issued capital of CHS, one of the major subsidiaries of the Company whose shares are listed on SEHK, and subsequently changing to a possible sale and purchase of Five Seasons XVI’s direct shareholding interests in CHS that would represent more than 50% but not exceeding 73.91% of the issued capital of CHS (“**Possible Sale and Purchase**”).

On 24 April 2018, the Company, Five Seasons XVI and the Potential Offeror entered into an earnest money agreement (the “**Earnest Money Agreement**”), pursuant to which, the Potential Offeror shall provide an amount in cash or cash equivalents of RMB1,000,000,000 to the Company (or its subsidiaries) as refundable earnest money within 30 days from the date of the Earnest Money Agreement. On 28 September 2018, the relevant parties entered into a supplemental earnest money agreement (“**Supplemental Earnest Money Agreement**”, together with the Earnest Money Agreement, collectively referred as “**Earnest Money Agreements**”) to extend the term of the Earnest Money Agreement, and pursuant to which if, among others, no definitive agreement in respect of the Possible Sale and Purchase was entered into on or before 31 October 2018, the Company shall refund and return in full the earnest money (without any income accrued thereon) to the Potential Offeror (or its nominee) within 15 business days. As at 31 October 2018, no definitive agreement(s) has been entered into among the parties. As such, the Earnest Money Agreements have been automatically terminated. As at 31 December 2020 and 2019, the deposit received has yet to be refunded.

16 BANK AND OTHER BORROWINGS

	2020		2019	
	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>
Secured				
– Bank loans	1,071,695	1,156,352	1,042,057	1,372,274
– Loans from other financial institutions	713,985	289,299	1,344,000	–
– Loans from other third parties	373,009	713,677	315,959	1,000
Total secured borrowings	<u>2,158,689</u>	<u>2,159,328</u>	<u>2,702,016</u>	<u>1,373,274</u>
Unsecured				
– Bank loans	1,828,970	–	1,927,500	–
– Loans from ultimate holding company	793,235	–	502,099	755,860
– Loan from a joint venture	175,529	–	–	187,226
– Loans from other third parties	63,108	38,273	67,415	215,027
Total unsecured borrowings	<u>2,860,842</u>	<u>38,273</u>	<u>2,497,014</u>	<u>1,158,113</u>
	<u>5,019,531</u>	<u>2,197,601</u>	<u>5,199,030</u>	<u>2,531,387</u>

Bank and other borrowings carry interests ranging from 0% to 9.50% (2019: 0% to 9.50%) per annum. As at 31 December 2020, current loans from ultimate holding company of RMB793,235,000 (2019: RMB502,099,000) are interest-free and current loan from a joint venture of RMB175,529,000 carried effective interest rate at 8% per annum. As at 31 December 2019, non-current loans from ultimate holding company of RMB755,860,000 carried effective interest rate at 4.75% per annum and non-current loan from a joint venture of RMB187,226,000 carried effective interest rate at 8% per annum.

At the end of the reporting period, the carrying amounts of bank and other borrowings are denominated in the following currencies:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	5,853,810	5,837,502
US\$	888,499	917,971
HK\$	202,330	678,517
AUD	<u>272,493</u>	<u>296,427</u>
	<u>7,217,132</u>	<u>7,730,417</u>

16 BANK AND OTHER BORROWINGS (Continued)

Bank and other borrowings are repayable as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year or on demand	5,019,531	5,199,030
Between one and two years	700,166	1,698,471
Between two and five years	1,319,302	451,100
Over five years	178,133	381,816
	<u>7,217,132</u>	<u>7,730,417</u>

Certain of the Group's bank and other borrowings are secured by:

- (i) All of the Group's equity interests in CHS.
- (ii) The Group's assets as disclosed in Note 20.
- (iii) Pledge of 1,520,000,000 ordinary shares of the Company held by ultimate holding company.

In addition, bank and other borrowings of RMB1,621,367,000 (2019: RMB1,623,269,000) were guaranteed by Mr. Ji. Bank and other borrowings of RMB1,659,973,000 (2019: RMB1,085,115,000) were guaranteed by Mr. Ji and a close family member of Mr. Ji.

As at 31 December 2020, a loan from Huarong International Trust Co., Ltd. (the "**Lender**") with principal amounting to RMB500,000,000 ("**Principal**") and respective penalty of RMB93,500,000 ("**Past Late Payment**") was past due. Subsequent to the end of the reporting period, the Lender intended to auction the creditor's rights of the debt to the Group in accordance with its internal procedure. Pursuant to the laws and regulations of the PRC, the auction is requested to be initiated through respective legal procedure(s). Therefore, after a well communication of its intention with the Group, the Lender took such respective legal action to apply for an open auction of the rights of the respective loan aforesaid. However, such auction met with no response. The Group continued to discuss with the Lender on the settlement of the Principal and the Past Late Payment. Another financial institution ("**Assignee**") has negotiated with the Group to take up the relevant loan from the Lender. Based on the negotiations between the Group and the Assignee, the Assignee agreed to waive the payment of Past Late Payment upon the settlement of the Principal as well as the respective interest within two years from the date when a supplementary agreement in relation to the transfer of debts aforesaid ("**Supplemental Agreement**") is signed ("**Repayment Period**"). The directors of the Company believe that the Group can fulfil the settlement term within the Repayment Period. Accordingly, no provision in relation to the Past Late Payment has been made in the Group's consolidated financial information as at 31 December 2020. Up to the date of approval for issuance of the consolidated financial information, the Group is still in the course of negotiating with the Lender and Assignee in relation to the finalisation of terms of the Supplemental Agreement, and it is expected the negotiations will reach a successful conclusion.

On 8 December 2014, the Company issued a six-year semi-annual coupon corporate bond (“**2014 CB**”) with a principal amount of HK\$10,400,000 (equivalent to RMB8,268,000) which carries interests at 7% per annum. The effective interest rate as at 31 December 2019 was 9.60%. 2014 CB was fully redeemed upon maturity.

In March and July 2017, the Group issued two five-year annual coupon corporate bonds (“**2017 CB**”) with principal amounts of RMB900,000,000 (“**First Tranche Bond**”) and RMB1,020,000,000 (“**Second Tranche Bond**”) which carry interests at 6.47% and 6.50% per annum respectively. The effective interest rates as at 31 December 2019 were 6.59% and 6.62% respectively.

In January 2018, the Group issued a five-year annual coupon corporate bond (“**2018 CB**”) with a principal amount of RMB500,000,000 which carries interest at 7.50% per annum. The effective interest rate as at 31 December 2019 was 7.62%.

All 2017 CB and 2018 CB attached with the option of adjusting the nominal interest rate for issuer and the option of redemption at the end of the third year for investors. In March 2020, as all the bondholders of the First Tranche Bond have chosen to redeem, the Group has paid RMB900,000,000 for the redemption, the First Tranche Bond has been cancelled. In July and August 2020, the Group has paid RMB1,020,000,000 and RMB500,000,000 for the full redemption of the Second Tranche Bond and 2018 CB respectively.

	2014 CB	2017 CB	2018 CB	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	8,620	1,990,224	535,491	2,534,335
Imputed interest (<i>Note 9</i>)	896	126,228	37,948	165,072
Interest paid	(642)	(124,530)	(37,500)	(162,672)
Exchange differences	166	—	—	166
At 31 December 2019 and 1 January 2020	9,040	1,991,922	535,939	2,536,901
Imputed interest (<i>Note 9</i>)	869	52,608	24,890	78,367
Interest paid	(606)	(124,530)	(60,829)	(185,965)
Redemption	(8,799)	(1,920,000)	(500,000)	(2,428,799)
Exchange differences	(504)	—	—	(504)

At 31 December 2020	—	—	—	—
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	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Represented:		
Accrued interest (included in other payables and accruals)	—	115,148
Current liabilities	—	1,923,316
Non-current liabilities	—	498,437
	—	2,536,901

18 CONTINGENT LIABILITIES

As at 31 December 2020, contingent liabilities not provided for in the consolidated financial information were as follows:

(i) Mortgage facilities

	Note	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with mortgage facilities	(a)	17,411	225,494
Guarantees given to a bank in connection with motor vehicle finance leases facilities	(b)	—	43,574

Note:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalties owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees, or when the Group obtains the "master property title certificate" upon completion of the construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision has been made in the consolidated financial information for these guarantees.
- (b) As at 31 December 2019, the Group provided guarantees in respect of motor vehicle finance leases facilities granted by a bank to eligible borrowers. Pursuant to the terms of the guarantees, upon default in finance leases payments by these borrowers, the Group is responsible to repay the outstanding principals together with accrued interests and penalties owed by the defaulted borrowers to the bank. The Group's guarantee period starts from the date of grant of the relevant finance leases and ends when the customers settle their financial leases obligations in full. The directors consider that in case of default in payments, the amounts of security deposits received from borrowers, which ranged from 6% to 8% to the granted amounts, are sufficient to cover the amounts of bank security deposits to be forfeited, which were around 4.93% of granted amounts; and Nanjing Jiangong Industrial Group Co., Ltd. (南京建工產業集團有限公司) ("Nanjing Jiangong Industrial", formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)), a connected person of the Company, guarantees the Group's potential liabilities arisen from default cases. Therefore, no provision has been made in the consolidated financial information for the guarantees.

During the year ended 31 December 2020, the subsidiary providing such guarantees was disposed of. Therefore, there is no guarantee in respect of motor vehicle finance leases facilities provided by the Group as at 31 December 2020.

- (ii) As at 31 December 2020, the Group has provided financial guarantees to two (2019: two) associate and four (2019: four) independent third parties in favour of bank loans of RMB1,440,012,000 (2019: RMB1,456,008,000) and RMB841,577,000 (2019: RMB934,000,000), respectively. These amounts represented the balances that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB19,103,000 (2019: RMB28,115,000) has been recognised in the consolidated statement of financial position as liabilities.
- (iii) On 30 August 2019, a sale and purchase agreement is entered into between an independent third party (the “**Purchaser**”), Fullshare Value Fund I (A) L.P. (the “**Vendor**”), a joint venture of the Group, and the general partner of the Vendor, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the 100% of the issued and paid-up shares of Five Seasons XXII Limited (“**BVI SPV**”), a wholly-owned subsidiary of the Vendor, subject to the terms and conditions thereof. The BVI SPV indirectly holds the interests of GSH Plaza in Singapore. The former owner of the GSH Plaza is under certain legal cases with the property builders.

On the same day, in order to facilitate the conclusion of the sales, the Company entered into a deed of guarantee with the Purchaser, pursuant to which, the Company agreed to guarantee to the Purchaser the due and punctual performance and observance by the Vendor of the Vendor’s obligations under the sale and purchase agreement, subject to a maximum liability of up to SGD169,822,000 (equivalent to approximately RMB874,690,000) (the “**Guarantee money**”). The Guarantee money is used to compensate the Purchaser for any adverse effect of the legal cases. These Guaranteed money would be reimbursed by the former owner.

The Company also entered into a letter of authority with Five Seasons XXII Pte. Ltd. (“**Five Seasons**”), a wholly-owned subsidiary of BVI SPV, pursuant to which, Five Seasons authorised the Company to represent Five Seasons in respect of the authorised matters and the Company agreed to (i) engage professional parties and bear all costs incurred thereto; and (ii) put Five Seasons in funds for any monies which Five Seasons is liable to pay, in relation to the authorised matters, subject to a maximum aggregate amount of up to SGD1,000,000 (equivalent to approximately RMB5,151,000).

In the opinion of the directors, based on the claim history from the Purchaser to the Group and the reimbursement history from the former owner to the Group, the possibility of default or inability of discharging the relevant obligations by the Group is remote. Accordingly, no provision in relation to the guarantee has been made as at 31 December 2020 and 2019.

- (iv) On 12 November 2015, Nanjing High Speed and NGC Transmission Europe GmbH (hereafter “**NGC Parties**”) jointly entered into a strategic cooperation agreement (the “**Cooperation Agreement**”) with Sustainable Energy Technologies GmbH (“**SET**”) on the development and sale of certain electromechanical differential gearboxes for the use in industrial plants and wind mills, including its production and marketing (the “**Project**”). The Cooperation Agreement was terminated prematurely by SET on 23 February 2018.

In 2019, NGC Transmission Europe GmbH received a claim (the “**Claim**”) filed by SET with a total amount of EUR11,773,000 (equivalent to RMB92,019,000) (the “**Claimed Amount**”) against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

18 CONTINGENT LIABILITIES (Continued)

(iv) (Continued)

Upon the date of the approval of the consolidated financial information, the Claim was still awaiting for trial. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 31 December 2020, based on the assessment of the independent lawyers, a compensation liability amounting to RMB8,066,000 (2019: RMB8,066,000) was accrued by the management.

- (v) On 16 August 2019, it came to the attention of the Company that Mr. Ji was named a defendant in a proceeding involving claim for alleged overdue payments of approximately HK\$1,466,000,000 (the “**Proceeding**”). No further information in respect of the Proceeding and the claim thereunder is available as at the date of these consolidated financial information. Pursuant to relevant terms of the Group’s loan agreements, the Proceeding might be considered as an event of default the occurrence of which will allow the lender to demand accelerated repayments for certain loans of the Group totalling approximately RMB1,100,000,000 as at 31 December 2020 (2019: RMB1,100,000,000) (“**Loan**”). However, up to the date of these consolidated financial information, the Group has not received any request from any lender of the Loan for any accelerated repayment. Further, the management of the Company considers that adequate collaterals have been provided to secure the Loan. Accordingly, no adjustment or reclassification of the Loan is made to reflect the impact of the Proceeding.

19 COMMITMENTS

(i) Operating lease arrangement – the Group as lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	176,163	177,560
After 1 year but within 2 years	128,084	168,469
After 2 years but within 3 years	90,469	120,781
After 3 years but within 4 years	72,146	84,121
After 4 years but within 5 years	58,738	66,844
After 5 years	350,484	326,829
	<u>876,084</u>	<u>944,604</u>

(ii) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted, but not provided for:		
– Property, plant and equipment	438,377	237,046
– Capital contributions to associates	177,000	129,000
– Capital contributions to joint ventures	350,000	50,000
	<u>965,377</u>	<u>416,046</u>

(iii) Other commitments

On 9 February 2018, the Company, China Merchants Securities Asset Management Company Limited* (招商證券資產管理有限公司) and Ningbo Zhongbang, both being limited partners of Ningbo Fengdong Investment Management Partnership Enterprise (Limited Partnership)* (寧波豐動投資管理合夥企業(有限合夥)) (the “Fund”) (collectively referred to as “**Limited Partners**”) and Ningbo Zhongxin Wanbang Asset Management Company Limited* (寧波眾信萬邦資產管理有限公司), being the general partner of the Fund entered into a forward sale and purchase agreement (“**Forward Purchase Agreement**”) pursuant to which the Company has conditionally agreed to acquire from each of the Limited Partners their respective interests in the Fund, within 3 years from the date of full payment of the capital contributions made by Limited Partners and general partner of the Fund (i.e. 12 February 2018) or extended date unanimously consented by all parties, at a maximum consideration of approximately RMB3,342,506,567 which was determined with reference to the capital contributions made by the Limited Partners of an aggregate amount of approximately RMB2,630,000,000 and the expected return to be distributed by the Fund in accordance with the terms of the limited partner agreement on the relevant settlement date in accordance with the terms of the Forward Purchase Agreement. Up to the date of approval of these consolidated financial information, the Company is yet to complete the acquisitions and is still in the course of negotiating the extension of acquisition.

The object of the Fund is to invest in Shanghai Joyu Culture Communication Company Limited* (上海景域文化傳播股份有限公司) (“**Shanghai Joyu**”), or such other companies or businesses as may be agreed by the Limited Partners and the general partner. Shanghai Joyu is principally engaged in the tourism and vacation businesses and is a one-stop Online to Offline (“**O2O**”) service provider in the PRC tourism business. As at 31 December 2020, the Fund invested held approximately 26.33% (2019: 26.33%) interests in Shanghai Joyu.

20 PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to secure banking and other facilities granted to the Group, connected persons and independent third parties as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	1,002,598	1,902,164
Investment properties	4,918,918	3,938,321
Right-of-use assets regarding the land use rights	146,068	254,658
Financial assets at FVOCI	1,610,035	1,310,735
Properties under development	198,504	16,974
Properties held for sale	229,244	—
Pledged bank deposits	1,653,224	2,720,564
	9,758,591	10,143,416

21 EVENTS AFTER THE REPORTING PERIOD

Very substantial disposal of 43% equity interests of Nanjing High Speed

On 30 March 2021, Nanjing Gear (as vendor) and Nanjing High Speed (as target company) entered into a conditional equity transfer agreement with an independent third party, Shanghai Wensheng Asset Management Co., Ltd (上海文盛資產管理股份有限公司) (“**Shanghai Wensheng**”) (as purchaser), pursuant to which Nanjing Gear has conditionally agreed to dispose of 43% equity interest in Nanjing High Speed to Shanghai Wensheng or its designated related party for a consideration of RMB4,300,000,000 (“**VSD Disposal**”). After the completion of the VSD Disposal, Nanjing Gear would hold approximately 50.02% equity interests in Nanjing High Speed and Nanjing High Speed would continue to be the subsidiary of the Group. The VSD Disposal would be accounted for as equity transaction and it is expected that it will have no gain or loss to be recognised in profit or loss arising from the VSD Disposal upon completion.

As at the date of approval of these consolidated financial information, completion of the VSD Disposal is subject to the satisfaction of the conditions precedent set out in the equity transfer agreement.

Details of the VSD Disposal are set out in the joint announcement made by the Company and CHS dated 30 March 2021.

BUSINESS REVIEW

The revenue of the Group for the Year 2020, was derived from property, tourism, investment and financial services, healthcare and education and new energy businesses.

(1) Property business

(a) Property sales

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

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

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

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

(b) Investment properties

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

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

(c) Green building services and entrusted construction services

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

(2) Tourism business

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

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

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

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

(3) Investment and financial services business

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

(a) Listed equity investments held for trading

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

As at 31 December 2020

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

Notes:

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

As at 31 December 2019

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

Notes:

1. All of the above companies are companies listed on the Stock Exchange.
2. All of the shares held by the Group are ordinary shares of the relevant company.

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

Zall Group

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

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

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

(b) Other investments

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

(c) Investment and financial related consulting services

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

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

(4) Healthcare and education business and others

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

(5) New Energy segment

(a) Wind gear transmission equipment

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

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

(b) Industrial gear transmission equipment

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

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

(c) Rail transportation gear transmission equipment

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

(d) Trading business

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

PROSPECT

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales and services

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

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

Gross profit and gross profit margin

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development costs

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

Net impairment losses on the financial assets

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

Other income

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

Net fair value change in financial instruments

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

Other losses/gain – net

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

Finance costs

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

Share of result of joint ventures

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

Income tax expense/credit

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

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

Loss for the Year 2020

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

Cash position

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

Bank and other borrowings and corporate bonds

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

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

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

Leverage

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

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

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

PLEDGE OF ASSETS

Details of the Group's pledged assets as at 31 December 2020 are set out in note 20 to the consolidated financial information in this announcement.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the Year 2020, are set out in note 4 to the consolidated financial information in this announcement.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 December 2020 are set out in note 19 to the consolidated financial information in this announcement.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2020 are set out in note 18 to the consolidated financial information in this announcement.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group that have occurred since the end of the Year 2020 are set out in note 21 to the consolidated financial information in this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

- (ii) On 15 January 2020, Fullshare Dazu entered into a limited partnership agreement (the “**Partnership Agreement**”) with Sumin Kaiyuan Wuxi Investment Co., Ltd.* (蘇民開源無錫投資有限公司)(“**Sumin Kaiyuan**”) and Sumin Capital Co., Ltd.* (蘇民資本有限公司)(“**Sumin Capital**”) to establish Wuxi Sumin Fullshare Entrepreneur Investment Partnership Enterprise (Limited Partnership)* (無錫蘇民豐盛創業投資合夥企業(有限合夥))(the “**Partnership**”), pursuant to which, the total amount of capital commitments of the Partnership is RMB600,000,000, of which Sumin Kaiyuan (as general partner) has agreed to contribute RMB1,000,000 while Fullshare Dazu and Sumin Capital (as limited partners) have agreed to contribute RMB300,000,000 and RMB299,000,000 respectively. Sumin Kaiyuan and Sumin Capital are direct wholly-owned subsidiaries of Jiangsuminying Investment Holding Limited* (江蘇民營投資控股有限公司), a company in which Fullshare Dazu has approximately 10% interests as at the date of the Partnership Agreement. The purpose of the Partnership is to invest in projects relating to property development and investment business. The Partnership has been established on 21 January 2020 and Fullshare Dazu owns 50% equity interest in the Partnership as at the date of this announcement. Details of the Partnership were set out in the announcements of the Company dated 15 January 2020 and 3 February 2020 respectively.
- (iii) On 16 January 2020, Fullshare Dazu (as purchaser) entered into a sale and purchase agreement with (a) New World (Qingdao) Real Estate Co., Ltd.* (新世界(青島)置地有限公司) and Top Sky Investments Limited (頂佳投資有限公司)(as vendors), (b) World Trade Plaza (Shenyang) Real Estate Co., Ltd.* (世貿廣場(瀋陽)置業有限公司)(as target company) (“**World Trade Plaza**”), and (c) Mr. Qi Hongbo (漆洪波)(as guarantor), pursuant to which Fullshare Dazu conditionally agreed to acquire and the vendors conditionally agreed to sell 100% equity interest of World Trade Plaza for a consideration of RMB700,000,000. The proposed acquisition was subsequently terminated on 27 April 2020. Details of the proposed acquisition and its termination were set out in the announcements of the Company dated 16 January 2020 and 27 April 2020 respectively.
- (iv) On 4 December 2020, Shanghai Shifu Enterprise Management LLP* (上海釀福企業管理合夥企業(有限合夥))(the “**Employee Partnership Enterprise**”) entered into a capital increase agreement (the “**Capital Increase Agreement**”) with Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司)(“**Nanjing Gear**”, being an indirect wholly-owned subsidiary of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司*)(“**CHS**”, a company listed on the Main Board of the Stock Exchange under stock code of 658), which in turn is an indirect non-wholly owned subsidiary of the Company) and Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司)(“**Nanjing High Speed**”, a direct wholly-owned subsidiary of Nanjing Gear as at the date of the Capital Increase Agreement), pursuant to which the Employee Partnership Enterprise agreed to make the capital contribution in an aggregate amount of RMB150,000,000 in cash to the registered capital of Nanjing High Speed (the “**Capital Increase**”). The Capital Increase has been completed on 24 December 2020 and Nanjing High Speed remains an indirect non-wholly owned subsidiary of the Company and its financial results continue to be consolidated with the financial results of the Group. Immediately upon completion of the Capital Increase, the Employee Partnership Enterprise owns as to approximately 6.98% of the equity interest in Nanjing High Speed, while the equity interest of Nanjing

Gear in Nanjing High Speed was reduced from 100% to approximately 93.02%. The Capital Increase contemplated under the Capital Increase Agreement therefore constituted a deemed disposal (the “**Deemed Disposal**”) under Rule 14.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the Company. The purpose and objectives of the Capital Increase are to recognise the contribution by the designated employees of CHS and its subsidiaries (the “**CHS Group**”) and to provide them with incentives in order to align their interests with the CHS Group and to retain them for the continual operation and development of the CHS Group. Details of the Capital Increase and Deemed Disposal were set out in the joint announcement of the Company and CHS dated 4 December 2020 and the announcement and circular of CHS dated 23 December 2020 and 24 December 2020, respectively.

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

DIVIDEND

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

EMPLOYEES

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

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal financial control system of the Group and to review the Group’s interim and annual reports and financial statements. The Audit Committee has reviewed the audited consolidated financial information of the Group for the Year 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the Year 2020 as set out in this announcement have been agreed with the Group’s auditor, Baker Tilly Hong Kong Limited (“**Baker Tilly**”), which is consistent with the figures set out in the Group’s audited consolidated financial statements for the Year 2020. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on this announcement.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders and other stakeholders of the Company.

The Company has applied the principles and complied with the CG Code during the Year 2020 except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the website of the Stock Exchange, www.hkexnews.hk, and the website of the Company, www.fullshare.com. The annual report for the Year 2020 will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By Order of the Board
Fullshare Holdings Limited
Ji Changqun
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Ji Changqun (Chairman), Ms. Du Wei and Mr. Shen Chen; and the independent non-executive Directors are Mr. Lau Chi Keung, Mr. Chow Siu Lui and Mr. Tsang Sai Chung.

* *For identification purpose only*