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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 2023

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 (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Year 2023**”), 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 2023

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Continuing operations			
Revenue	5	24,845,816	21,718,371
Cost of sales and services provided	9	<u>(21,304,093)</u>	<u>(18,404,027)</u>
Gross profit		3,541,723	3,314,344
Selling and distribution expenses	9	(618,040)	(559,709)
Administrative expenses	9	(980,759)	(887,866)
Research and development costs	9	(904,473)	(744,816)
Net (provision for)/reversal of impairment losses recognised on financial assets	3	(684,970)	990,838
Other income	7	410,329	430,385
Net fair value changes in financial instruments	6	(67,122)	(917,050)
Other (losses)/gains – net	8	<u>(9,657)</u>	<u>36,180</u>
Operating profit		687,031	1,662,306
Finance costs	10	(1,135,141)	(872,179)
Share of results of joint ventures		9,967	11,915
Share of results of associates		<u>(6,717)</u>	<u>(87,313)</u>

	<i>Note</i>	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax		(444,860)	714,729
Income tax expenses	<i>11</i>	<u>(10,589)</u>	<u>(447,606)</u>
(Loss)/profit for the year from continuing operations		(455,449)	267,123
Profit for the year from discontinued operation		<u>–</u>	<u>141,573</u>
(Loss)/profit for the year		<u>(455,449)</u>	<u>408,696</u>
Other comprehensive loss for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Release of exchange fluctuation reserve upon disposal of subsidiaries		–	(11,552)
– Exchange differences on translation of foreign operations		(59,799)	(89,369)
– Changes in fair value of debt instruments at fair value through other comprehensive income		9,013	10,810
– Income tax relating to these items		(1,517)	(779)
– Share of other comprehensive (loss)/income of associates		(1,243)	2,358
<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		(454,261)	(446,442)
– Income tax relating to these items		<u>95,958</u>	<u>103,048</u>
Other comprehensive loss for the year, net of tax		<u>(411,849)</u>	<u>(431,926)</u>
Total comprehensive loss for the year		<u>(867,298)</u>	<u>(23,230)</u>
(Loss)/profit for the year attributable to:			
– Equity shareholders of the Company		(950,538)	(160,981)
– Non-controlling interests		<u>495,089</u>	<u>569,677</u>
		<u>(455,449)</u>	<u>408,696</u>

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
(Loss)/profit for the year attributable to equity shareholders of the Company arises from:			
– Continuing operations		(950,538)	(302,480)
– Discontinued operation		<u>–</u>	<u>141,499</u>
		<u>(950,538)</u>	<u>(160,981)</u>
Total comprehensive (loss)/income for the year attributable to:			
– Equity shareholders of the Company		(1,281,331)	(517,541)
– Non-controlling interests		<u>414,033</u>	<u>494,311</u>
		<u>(867,298)</u>	<u>(23,230)</u>
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company arises from:			
– Continuing operations		(1,281,331)	(661,023)
– Discontinued operation		<u>–</u>	<u>143,482</u>
		<u>(1,281,331)</u>	<u>(517,541)</u>
		2023 RMB	2022 <i>RMB</i> (restated)
Loss per share from continuing operations			
Basic and diluted loss per share	<i>13</i>	<u>(1.722)</u>	<u>(0.669)</u>
Loss per share from continuing and discontinued operations			
Basic and diluted loss per share	<i>13</i>	<u>(1.722)</u>	<u>(0.356)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		10,584,760	8,804,277
Investment properties		4,931,388	5,047,272
Right-of-use assets		1,096,638	1,069,278
Goodwill		1,503,817	1,503,817
Other intangible assets		218,686	289,106
Investments in joint ventures		303,902	290,756
Investments in associates		339,589	379,330
Financial assets at fair value through other comprehensive income		1,675,229	2,096,621
Financial assets at fair value through profit or loss		439,395	422,676
Consideration receivables		154,326	150,507
Loan receivables		131,130	145,058
Properties under development		536,311	–
Prepayments		5,890	5,890
Deferred tax assets		1,325,068	1,065,817
		23,246,129	21,270,405
Current assets			
Inventories		6,548,666	6,932,870
Trade receivables	<i>14</i>	8,524,702	7,128,370
Consideration receivables		130,593	199,989
Loan receivables		524,497	725,606
Prepayments		1,978,386	1,942,858
Other receivables		1,879,212	1,546,434
Other financial assets at amortised cost		–	1,110,905
Income tax prepaid		42,984	29,776
Financial assets at fair value through other comprehensive income		1,809,484	3,536,240
Financial assets at fair value through profit or loss		501,437	698,272
Properties under development		–	593,515
Properties held for sale		51,836	56,281
Restricted cash		3,578,324	4,924,505
Cash and cash equivalents		5,693,844	4,533,808
		31,263,965	33,959,429

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and bills payables	<i>15</i>	7,625,165	10,387,604
Other payables and accruals	<i>16</i>	3,755,124	3,263,257
Contract liabilities		1,779,712	1,555,577
Derivative financial instruments		33,228	32,376
Lease liabilities		7,351	7,365
Bank and other borrowings	<i>17</i>	9,702,996	8,608,849
Income tax payable		647,684	805,127
Warranty provision		1,144,479	988,395
Deferred income		43,229	18,787
Written put option liability		4,772,175	4,514,175
		29,511,143	30,181,512
Net current assets		1,752,822	3,777,917
Total assets less current liabilities		24,998,951	25,048,322
Non-current liabilities			
Bank and other borrowings	<i>17</i>	4,777,218	4,311,213
Deferred income		475,164	303,077
Lease liabilities		8,629	14,890
Warranty provision		1,124,470	1,114,729
Deferred tax liabilities		1,175,460	1,184,165
		7,560,941	6,928,074
Net assets		17,438,010	18,120,248
Capital and reserves			
Share capital	<i>18</i>	269,500	219,904
Reserves		10,634,529	11,819,139
Equity attributable to equity shareholders of the Company		10,904,029	12,039,043
Non-controlling interests		6,533,981	6,081,205
Total equity		17,438,010	18,120,248

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 Act (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 – investment, development 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 other products; and
- New energy – manufacture and sale of mechanical transmission equipment products and trading of goods.

During the year ended 31 December 2022, the Group disposed of a subsidiary which represented a separate major line of the Group’s education business in Australia and constituted a discontinued operation under HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Accordingly, the results of the discontinued operation were presented separately in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the single largest shareholder of the Company is Magnolia Wealth International Limited, which is a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of the Company, as at 31 December 2023, the Company had no single controlling shareholder.

The consolidated financial information were approved for issue by the board of directors of the Company on 28 March 2024.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

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 disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial information have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and investment properties which are carried at fair value.

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.

During the year ended 31 December 2023, the Group failed to fulfill certain financial obligations as set out in an earnest money agreement and asset transfer agreement in respect of previous plan on disposal of equity interests of subsidiaries and certain assets (Note 16(ii)&(iii)), a number of loan agreements in respect of certain overdue and defaulted borrowings (Note 17), and a financial guarantee contract provided to an independent third party which caused certain of the Group’s investment properties to be frozen by the court order of the People’s Republic of China (the “**PRC**”) (Note 19(i)).

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The management has prepared the cash flow projections which cover a period of twelve months from 31 December 2023. The directors are of the opinion that, based on the cash flow projections and taking into account the expected operation results, the Group’s assets available for realisation if necessary, the adequate collaterals of the relevant loans, and the continuing liaison and renegotiation with relevant parties in respect of timing of repayment of the Group’s financial obligations, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the next twelve months. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial information under the going concern basis.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

(a) *New and amendments to HKFRSs adopted by the Group*

In the current year, the Group has applied the following new and amendments to HKFRSs (the “Amendments”) issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial information:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts

The application of the Amendments has 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) *Amendments to HKFRSs in issue but not yet effective*

Certain amendments to HKFRSs listed below have been issued but are not effective for the year ended 31 December 2023 and have not been early adopted by the Group. The amendments are either currently not relevant to the Group or had no material impact on the Group’s consolidated financial information in the foreseeable future.

- Amendments to HKAS 1, ‘Classification of liabilities as current or non-current’, and related amendments to Hong Kong Interpretation 5 (2020) effective for the annual period beginning on or after 1 January 2024
- Amendments to HKAS 1, ‘Non-current liabilities with covenants’, effective for the annual period beginning on or after 1 January 2024
- Amendments to HKFRS 16, ‘Lease liability in a sale and leaseback’, effective for the annual period beginning on or after 1 January 2024
- Amendments to HKAS 7 and HKFRS 7, ‘Supplier finance arrangements’, effective for the annual period beginning on or after 1 January 2024
- Amendments to HKAS 21, ‘Lack of exchangeability’, effective for the annual period beginning on or after 1 January 2025
- Amendments to HKFRS 10 and HKAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’, the effective date is to be determined

The material accounting policies applied in the preparation of the consolidated financial information have been consistently applied to all of the years presented, unless otherwise stated.

3 FINANCIAL RISK MANAGEMENT

Credit risk

The Group has policies to limit the credit risk exposure on debt instruments carried at amortised cost, FVOCI, FVPL and financial guarantee contracts. The Group assesses the credit quality 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.

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.

A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence may include but is not limited to significant financial difficulty of the issuer or the borrower, a breach of contract, such as a default or past due over 90 days, or it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation so on. The management would assess and examine the balance individually.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

During the years ended 31 December 2023 and 2022, the summary of the net impairment losses on financial assets recognised in profit or loss for continuing operations was as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Provision for/(reversal of) impairment loss on		
– Trade receivables	(10,799)	126,202
– Loan receivables	146,862	(1,100,802)
– Consideration receivables	69,396	11
– Other receivables	479,748	(15,450)
– Other financial assets at amortised cost	(237)	(799)
	<u>684,970</u>	<u>(990,838)</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 – investment, development 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 other products; and
- New energy – manufacture and sale of mechanical transmission equipment products and trading of goods.

The Group disposed of a subsidiary which represented a separate major line of education business in Australia during the year ended 31 December 2022 and was classified as a discontinued operation. Although the Group still holds a shareholding of the entity which has significant influence and will closely monitor and assess the performance of the business as part of healthcare, education and others segment, the segment information reported does not include any amounts for the discontinued operation.

4 OPERATING SEGMENT INFORMATION (CONTINUED)

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 and other tax prepaid, restricted cash, cash and cash equivalents, consideration receivables, certain other receivables and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude income tax and other tax payable, bank and other borrowings, deferred tax liabilities, written put option liability, consideration and deposit received for partial disposal of subsidiaries, 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 2023					Total RMB'000
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	
Segment revenue:						
Sales to external customers	254,155	360,389	2,680	151,444	24,077,148	24,845,816
Fair value changes in financial instruments	-	-	(68,408)	-	1,286	(67,122)
Segment results	(357,347)	(7,165)	(217,498)	6,169	1,196,860	621,019
Reconciliation:						
Unallocated bank interest income (Note 7)						123,890
Unallocated interest on deferred consideration (Note 7)						9,020
Gains on disposal of subsidiaries (Note 8)						2,449
Unallocated income and losses						(5,544)
Corporate and other unallocated expenses						(60,553)
Finance costs (Note 10)						(1,135,141)
Loss before tax from continuing operations						(444,860)
Segment assets as at 31 December 2023	6,339,169	1,433,985	2,665,623	550,487	32,529,027	43,518,291
Reconciliation:						
Corporate and other unallocated assets						10,991,803
Total assets as at 31 December 2023						54,510,094
Segment liabilities as at 31 December 2023	1,624,223	122,157	210,764	3,765	13,256,861	15,217,770
Reconciliation:						
Corporate and other unallocated liabilities						21,854,314
Total liabilities as at 31 December 2023						37,072,084

4 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2022						
	Properties <i>RMB'000</i>	Tourism <i>RMB'000</i>	Investment and financial services <i>RMB'000</i>	Healthcare, and others <i>RMB'000</i>	New energy <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information:							
Share of profit of joint ventures	4,598	–	7,317	–	–	–	11,915
Share of loss of associates	(321)	(159)	–	(2,984)	(83,849)	–	(87,313)
Impairment losses on property, plant and equipment (<i>Note 8</i>)	–	–	–	–	(18,331)	–	(18,331)
Depreciation and amortisation (<i>Note 9</i>)	(905)	(75,092)	(412)	(267)	(519,641)	(10,982)	(607,299)
Investments in joint ventures	169,595	–	121,161	–	–	–	290,756
Investments in associates	179	19,906	–	139,222	220,023	–	379,330
Capital expenditure*	<u>154</u>	<u>17,744</u>	<u>10</u>	<u>3,880</u>	<u>3,056,162</u>	<u>5,001</u>	<u>3,082,951</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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The PRC	22,312,238	19,604,689
United States of America	1,398,369	1,158,478
Europe	183,282	112,253
Australia	274,027	314,199
Other countries	677,900	528,752
	<u>24,845,816</u>	<u>21,718,371</u>

4 OPERATING SEGMENT INFORMATION (CONTINUED)

(ii) Non-current assets by locations of assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The PRC	18,132,074	16,049,150
Australia	369,387	352,929
United States of America	185,377	158,367
Other countries	<u>190,652</u>	<u>159,194</u>
	<u>18,877,490</u>	<u>16,719,640</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments, loan receivables, other receivables, consideration receivables, 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A*	<u>2,775,039</u>	<u>2,598,435</u>

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

5 REVENUE

(i) Revenue from contracts

An analysis of revenue from continuing operations is as follows:

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers		
Properties segment:		
– Property development and sales	153	1,451
– Construction services	<u>443</u>	<u>2,017</u>
	<u>596</u>	<u>3,468</u>
Tourism segment:		
– Hotel operations	348,174	390,006
– Sales of tourist goods and services	<u>12,215</u>	<u>7,489</u>
	<u>360,389</u>	<u>397,495</u>
New energy segment:		
– Sales of gear products	17,055,230	15,733,627
– Trading of goods	<u>7,021,918</u>	<u>5,346,027</u>
	<u>24,077,148</u>	<u>21,079,654</u>
Investment and financial services segment:		
– Investment and financial consulting services	<u>2,680</u>	<u>6,177</u>
Healthcare, education and others segment:		
– Education services	11,434	9,307
– Healthcare products and other services	3,117	25
– Trading of goods	<u>136,893</u>	<u>–</u>
	<u>151,444</u>	<u>9,332</u>
	<u>24,592,257</u>	<u>21,496,126</u>
Revenue from other sources		
Properties segment:		
– Gross rental income	<u>253,559</u>	<u>222,245</u>
	<u>24,845,816</u>	<u>21,718,371</u>

5 REVENUE (CONTINUED)

(i) Revenue from contracts (Continued)

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition:		
– Recognised at a point in time	24,229,526	21,088,619
– Recognised over time	<u>616,290</u>	<u>629,752</u>
	<u>24,845,816</u>	<u>21,718,371</u>

6 NET FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
From continuing operations:		
Fair value losses in financial assets at FVPL	(57,676)	(15,888)
Fair value losses in derivative financial instruments (<i>Note</i>)	<u>(9,446)</u>	<u>(901,162)</u>
	<u>(67,122)</u>	<u>(917,050)</u>

Note:

The fair value changes from derivative financial instruments for the year ended 31 December 2022 were mainly derived from the fair value change of a revised forward sales and purchase agreement to acquire certain equity interests of Shanghai Joyu Culture Communication Company Limited.

7 OTHER INCOME

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
From continuing operations:			
Bank interest income	<i>(i)</i>	123,890	85,381
Extension interest income	<i>(ii)</i>	–	21,373
Interest on deferred consideration	<i>(iii)</i>	9,020	7,096
Other interest income	<i>(iv)</i>	27,411	103,580
Dividend income		15,105	19,005
Management fees income	<i>(v)</i>	37,612	34,793
Government grants	<i>(vi)</i>	93,750	67,334
Sales of scraps and materials		89,293	63,713
Others		14,248	28,110
		410,329	430,385

Note:

- (i) Bank interest income is principally derived from restricted cash and cash and cash equivalents.
- (ii) The amount represents extension interest received from deferred payment of consideration for the Group's disposal of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd. (南京高速齒輪製造有限公司) ("Nanjing High Speed"). The consideration was received in full during the year ended 31 December 2022.
- (iii) The interest income is derived from deferred consideration on disposal of 72.71% equity interest in Sparrow Early Learning Pty Limited.
- (iv) Other interest income is principally derived from loan receivables and other financial assets at amortised cost.
- (v) Management fees income consists of management fees income for leased shops, carparking fees income and other ancillary service income in relation to leases of property.
- (vi) Government grants represent mainly grants from the PRC's local authority to support local companies. There are no unfulfilled conditions or contingencies attaching to these grants.

8 OTHER (LOSSES)/GAINS – NET

		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
From continuing operations:			
Gains on disposal of subsidiaries		2,449	8,026
Fair value losses of investment properties		(71,475)	(1,540)
(Losses)/gains on disposal of property, plant and equipment		(578)	1,123
Gains on disposal of associates		7,835	–
Loss on swap contracts		(35,720)	(34,805)
Impairment losses on property, plant and equipment		(4,931)	(18,331)
Waiver of interest on loan receivables	<i>(i)</i>	(38,866)	(73,711)
Impairment losses on prepayments		(2,323)	(41,896)
Foreign exchange gains – net		125,777	200,387
Others		8,175	(3,073)
		<u>(9,657)</u>	<u>36,180</u>

Note:

- (i) It represented waiver of certain overdue loan interests as an inducement for the loan principal repayments from the borrowers.

9 EXPENSES BY NATURE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
From continuing operations:		
Employee benefit expenses:		
Directors' remuneration		
– Fees	2,275	2,015
– Salaries, allowances and benefits in kind	2,311	2,179
– Discretionary bonuses	560	502
– Pension scheme contributions	306	291
	<u>5,452</u>	<u>4,987</u>
Other staff costs		
– Salaries and other benefits	1,997,834	1,745,078
– Pension scheme contributions	174,609	139,069
	<u>2,172,443</u>	<u>1,884,147</u>
	<u>2,177,895</u>	<u>1,889,134</u>
Other items:		
Cost of inventories sold	19,133,831	16,232,978
Cost of properties sold	151	1,350
Amortisation of other intangible assets	70,420	69,912
Depreciation of right-of-use assets	33,665	33,334
Depreciation of property, plant and equipment	626,330	504,053
Write-down of inventories	62,598	217,632
Write-down of properties under development	57,204	218,357
Write-down of properties held for sale	552	2,909
Expenses relating to short-term leases	48,086	37,323
Expenses relating to leases of low-value assets	2,451	2,411
Auditors' remuneration		
– Audit services	7,065	7,367
– Non-audit services	3,404	4,970
Penalty of past late payment on a borrowing (<i>Note 17(b)</i>)	100,000	–
Others (<i>Note (a)</i>)	1,483,713	1,374,688
	<u>23,807,365</u>	<u>20,596,418</u>
Total expenses	<u>23,807,365</u>	<u>20,596,418</u>
Represented by:		
– Cost of sales and services provided	21,304,093	18,404,027
– Selling and distribution expenses	618,040	559,709
– Administrative expenses	980,759	887,866
– Research and development costs	904,473	744,816
	<u>23,807,365</u>	<u>20,596,418</u>

Note:

- (a) The “Other expenses” items were mainly transportation expenses, office expenses, electricity and advertising expenses.

10 FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
From continuing operations:		
Interest on bank and other borrowings	880,214	672,678
Less: Interest capitalised at rates ranging from 3.95% to 4.35% (2022: 4.35%) per annum	<u>(3,977)</u>	<u>(15,888)</u>
	876,237	656,790
Interest on lease liabilities	904	1,214
Unwinding of discount on written put option liability	<u>258,000</u>	<u>214,175</u>
	<u>1,135,141</u>	<u>872,179</u>

11 INCOME TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
From continuing operations:		
Current tax – charge for the year		
– The PRC	233,101	643,369
– Hong Kong	1,821	77
– Australia	603	477
– United States of America	20,303	–
– Others	2,232	782
Over provision in respect of prior years	(73,957)	(3,055)
Deferred tax	<u>(173,514)</u>	<u>(194,044)</u>
	<u>10,589</u>	<u>447,606</u>

11 INCOME TAX (CONTINUED)

(a) PRC Corporate Income Tax (“CIT”)

PRC CIT has been provided at the rate of 25% (2022: 25%) on the taxable profits of the Group’s PRC subsidiaries, except those listed below, for the year ended 31 December 2023. The decrease in PRC CIT is attributable to an one-off tax of RMB315,140,000 arising from the partial disposal of a subsidiary in March 2022.

The following subsidiaries are qualified as high technology development enterprises and thus subject to CIT at 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 2023
Nanjing High Speed & Accurate Gear (Group) Co., Ltd.	31 December 2023
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2023
NGC (Baotou) Transmission Equipment Co., Ltd.	31 December 2021
Jiangsu Green Lighting Engineering Co., Ltd.	31 December 2021

(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 the PRC 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% (2022: 8.25% to 30%) prevailing in the places in which these enterprises operated for the year ended 31 December 2023.

12 DIVIDENDS

The board has resolved not to declare a final dividend for the year ended 31 December 2023 (2022: Nil).

13 LOSS PER SHARE

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

	2023 RMB'000	2022 <i>RMB'000</i>
Loss from continuing operations attributable to equity shareholders of the Company	(950,538)	(302,480)
Profit from discontinued operation attributable to equity shareholders of the Company	<u>–</u>	<u>141,499</u>
Net loss attributable to equity shareholders of the Company	<u>(950,538)</u>	<u>(160,981)</u>
	2023	2022 (restated)
Weighted average number of ordinary shares in issue	<u>551,864,890</u>	<u>452,213,068</u>
Basic and diluted (loss)/earnings per share (in RMB)		
– From continuing operations attributable to equity shareholders of the Company	(1.722)	(0.669)
– From discontinued operation attributable to equity shareholders of the Company	<u>–</u>	<u>0.313</u>
	<u>(1.722)</u>	<u>(0.356)</u>

On 30 November 2023, an ordinary resolution passed at the extraordinary general meeting of the Company for the share consolidation of every 50 ordinary shares into 1 consolidated share, which was effective on 4 December 2023 (“**Share Consolidation**”).

The weighted average number of ordinary shares in issue for the purpose of calculating loss per share for the year ended 31 December 2022 has been retrospectively adjusted on the assumption that the Share Consolidation had been effective since 1 January 2022.

For the year ended 31 December 2023, the weighted average number of ordinary shares in issue was adjusted by the adjustment of 17,521,400 shares held for the Group’s share award scheme disposed on 3 November 2023, the 5,306,000,000 new shares allotted upon the completion of the share subscription on 19 October 2023 and the effect from Share Consolidation.

For the year ended 31 December 2022, in addition to the effect from Share Consolidation, the weighted average number of ordinary shares in issue was adjusted by the adjustment of 17,521,400 shares held for the Group’s share award scheme, the 6,826,805,000 new shares allotted upon the completion of the share placements on 9 June 2022 and 24 August 2022 and the completion of the share subscription on 16 September 2022.

There were no potential dilutive ordinary shares outstanding due to outstanding share options for both the years ended 31 December 2023 and 2022.

14 TRADE RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Amounts due from third parties	9,214,266	7,841,003
– Amounts due from joint ventures	2,896	1,953
Less: Loss allowance	(692,460)	(714,586)
	<u>8,524,702</u>	<u>7,128,370</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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	6,878,649	5,933,756
91 to 180 days	888,032	419,413
181 to 365 days	356,960	417,462
Over 365 days	401,061	357,739
	<u>8,524,702</u>	<u>7,128,370</u>

The Group generally allows a credit period of 90 days (2022: 90 days) to its trade customers and 180 days (2022: 180 days) for sales of 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.

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

As at 31 December 2023, trade receivables with carrying amount of RMB398,794,000 (2022: RMB398,826,000) were pledged as collateral for the Group's borrowings (Note 21).

15 TRADE AND BILLS PAYABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Amounts due to third parties	3,674,795	4,471,334
– Amount due to an associate	18	18
Bills payables	3,950,352	5,916,252
	<u>7,625,165</u>	<u>10,387,604</u>

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	4,858,691	6,149,987
91 to 180 days	2,010,171	2,036,127
181 to 365 days	441,457	1,843,449
Over 365 days	314,846	358,041
	<u>7,625,165</u>	<u>10,387,604</u>

Amount due to an associate included in the trade and bills payables are repayable within 90 days (2022: 90 days), which represents credit terms similar to those offered by the associate to their major customers.

Trade payables are normally settled on terms of 90 to 180 days (2022: 90 to 180 days).

16 OTHER PAYABLES AND ACCRUALS

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accruals		1,510,727	1,181,546
Amounts due to associates	<i>(i)</i>	17,636	17,636
Refundable deposit received	<i>(ii)</i>	644,000	644,000
Other tax payables		130,281	213,329
Other payables	<i>(iii)</i>	624,338	419,133
Payroll and welfare payables		274,996	261,695
Liability arising from financial guarantee contracts		2,672	3,417
Payables for purchase of property, plant and equipment		550,474	522,501
		3,755,124	3,263,257

Note:

- (i) All of the amounts due to associates are non-trade nature, unsecured, interest-free and repayable within 180 days (2022: 180 days).
- (ii) On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) (“**Five Seasons XVI**”) and Mr. Ji Changqun (“**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 China High Speed Transmissions Equipment Group Co., Ltd. (“**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 (“**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.

16 OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note: (Continued)

(ii) (Continued)

On 18 August 2021, the Company received a copy of a notice of arbitration (the “**Notice of Arbitration**”), filed by the Potential Offeror as claimant, pursuant to which the Potential Offeror purports to commence arbitration (the “**Arbitration**”) administered by the Hong Kong International Arbitration Centre against the Company and Five Seasons XVI. In the Notice of Arbitration, the Potential Offeror seeks refund of the Earnest Money to it.

On 24 December 2021, parties including the Company, Five Seasons XVI and Potential Offeror entered into a settlement agreement (the “**Settlement Agreement**”) in relation to settlement of the Earnest Money. Pursuant to the Settlement Agreement, the parties agree that, subject to certain conditions, they will not commence arbitration or other legal proceedings against each other. In particular, the Potential Offeror, the Company and Five Seasons XVI shall terminate the pending Arbitration within three working days after the Settlement Agreement becomes effective. Also, the Earnest Money Agreements will be terminated on the effective date of the Settlement Agreement and upon satisfaction of certain conditions.

During the year ended 31 December 2022, the conditions as stated in the Settlement Agreement have been fulfilled and the Arbitration has been terminated. In addition, RMB356,000,000 had been repaid by cash and other settlement arrangement up to 31 December 2022.

During the year ended 31 December 2023, no repayment was made by the Group. Up to the date of these consolidated financial information, the Group is still negotiating with the Potential Offeror for the subsequent settlement on the remaining outstanding Earnest Money according to the conditions as stated in the Settlement Agreement. Management considers that the repayments of the remaining outstanding Earnest Money could be fulfilled through internal funding or sale of certain non-major assets and will not have a significant impact to the Group’s operations.

(iii) In June 2019, the Group and an independent third party, Jiangsu Anke Technology Development Co., Limited (“**Jiangsu Anke**”) entered into a framework asset transfer agreement (“**Asset Transfer Agreement**”) to dispose of certain investment properties and received the partial consideration of RMB200,000,000 (“**Asset Consideration**”). Pursuant to the Asset Transfer Agreement, if the transfer of the assets was not completed within a specified period, the Group shall refund the Asset Consideration as well as bear the respective penalty. The transfer had not been completed and the Group failed to refund the full amount of the Asset Consideration to Jiangsu Anke.

In 2020, Jiangsu Anke took legal action to the court in the PRC and per the court judgement in 2022, the Group had to refund the Asset Consideration, penalty and overdue interests to Jiangsu Anke based on the term of Asset Transfer Agreement. During the year ended 31 December 2022, Jiangsu Anke applied the court order to freeze certain bank accounts and investment properties. During the year ended 31 December 2023, a settlement agreement was entered into with Jiangsu Anke. However, the Group failed to meet the repayment schedule of the settlement agreement. On 5 January 2024, Jiangsu Anke reapplied the execution of court order. Up to the date of these consolidated financial information, no further action is taken by Jiangsu Anke. The Group is still liaising with Jiangsu Anke to extend the repayment period. Management considers that the Asset Consideration, together with the respective default interest payable and past late payable with carrying value of RMB297,889,000 (2022: RMB308,155,000) as at 31 December 2023 could be repaid through internal funding and will not have significant impact to the Group’s operations.

17 BANK AND OTHER BORROWINGS

	2023		2022	
	Current RMB'000	Non-current RMB'000	Current RMB'000	Non-current RMB'000
Secured				
– Bank loans	739,000	3,651,100	278,328	3,142,417
– Loans from other financial institutions	2,457,236	46,500	1,574,803	–
– Loans from other third parties	150,010	–	808,810	–
Total secured borrowings	<u>3,346,246</u>	<u>3,697,600</u>	<u>2,661,941</u>	<u>3,142,417</u>
Unsecured				
– Bank loans	4,501,000	1,052,032	4,316,749	849,756
– Loans from a shareholder	1,426,939	–	1,252,484	–
– Loan from a joint venture	190,231	–	185,354	–
– Loans from other financial institutions	50,000	–	–	275,000
– Loans from other third parties	188,580	27,586	192,321	44,040
Total unsecured borrowings	<u>6,356,750</u>	<u>1,079,618</u>	<u>5,946,908</u>	<u>1,168,796</u>
	<u>9,702,996</u>	<u>4,777,218</u>	<u>8,608,849</u>	<u>4,311,213</u>

Bank and other borrowings carry interests ranging from 0% to 15% (2022: 0% to 12%) per annum. As at 31 December 2023, loans from a shareholder of RMB1,426,939,000 (2022: RMB1,252,484,000) are interest-free and loan from a joint venture of RMB190,231,000 (2022: RMB185,354,000) carried an effective interest rate at 8% (2022: 8%) per annum.

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

	2023 RMB'000	2022 RMB'000
RMB	13,721,973	12,143,445
US\$	506,517	531,638
HK\$	6,347	–
AUD	245,377	244,979
	<u>14,480,214</u>	<u>12,920,062</u>

17 BANK AND OTHER BORROWINGS (CONTINUED)

Bank and other borrowings are repayable as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year or on demand	9,702,996	8,608,849
Between one and two years	2,077,535	1,338,702
Between two and five years	1,479,027	1,892,357
Over five years	<u>1,220,656</u>	<u>1,080,154</u>
	<u>14,480,214</u>	<u>12,920,062</u>

Notes:

- (a) Certain of the Group's bank and other borrowings are secured by:
- (i) All of the equity interests in Nanjing Fullshare Dazhu Technology Co., Ltd.* (南京豐盛大族科技股份有限公司) (“**Fullshare Dazhu**”) and NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd., and certain equity interests in Tianjin Heheng Investment Development Co., Ltd. (天津合恒投資發展有限公司), all of which are subsidiaries of the Group.
 - (ii) 30,400,000 ordinary shares (as adjusted by Share Consolidation) (2022: 1,520,000,000 ordinary shares) of the Company held by a company controlled by Mr. Ji.
 - (iii) The Group's assets as disclosed in Note 21.

In addition to these, certain of the Group's equity interest in CHS were pledged as at 31 December 2022. The corresponding loan was fully repaid during the year ended 31 December 2023 and the pledge was released.

In addition, bank and other borrowings of RMB807,716,000 (2022: RMB900,093,000) were guaranteed by Mr. Ji. Bank and other borrowings of RMB1,612,600,000 (2022: RMB1,132,103,000) were guaranteed by Mr. Ji and a close family member of Mr. Ji.

- (b) As at 31 December 2020, a loan from Huarong International Trust Co., Ltd. (the “**Lender**”) with principal amounting to RMB500,000,000 (“**Principal**”) was past due. Two investment properties of the Group are pledged as security (the “**Pledged Properties**”). The Pledged Properties were put up for auction by the Lender during the year ended 31 December 2021. However, such auction met with no response.

On 26 January 2022, the Group signed a settlement agreement with the Lender and rescheduled the repayment by four instalment payments on or before 15 April 2022. It is further agreed that interest of 8% per annum on the outstanding principal is charged until all of the principal is repaid; and in case the first instalment of RMB50,000,000 is received on or before 28 January 2022, the Lender will withdraw the auction of the Pledged Properties.

Notes: (Continued)

(b) (Continued)

On 28 January 2022, the Group paid the first instalment payment and the auction had been withdrawn by the Lender. During the year ended 31 December 2022, the Group repaid only RMB137,444,000 over the Principal and defaulted in repayment of the outstanding balance, and the legal charges over the Pledged Properties remains.

During the year ended 31 December 2023, the Lender reinitiated the legal action and obtained the enforcement order from the court to mandate the Group to fulfil the repayment obligation, bear the default interest and fee in accordance with the relevant agreement. Accordingly, a past late payment of RMB100,000,000 (Note 9) and a default interest of RMB115,970,000 were recognised in profit and loss. Up to the date of these consolidated financial information, the Group is still negotiating the repayment schedule with the Lender while the Pledged Properties with fair value of RMB1,183,464,000 as at 31 December 2023 is not confiscated by the Lender. Management considers that the repayments could be made in full through internal fundings and will not have a significant impact to the Group's operations.

(c) On 12 March 2018, the Group entered into a sale and leaseback agreement with Great Wall Guosing Financial Leasing Co., Ltd. (the "**Lessor**") with principal amounting to RMB500,000,000. An investment property was pledged as security. On 24 October 2022, the Group entered into a settlement agreement with the Lessor to further provide the entire equity interests in Fullshare Dazu ("**Secured Shares**") as security.

On 26 April 2023, the Lessor initiated a legal proceeding to freeze the Secured Shares. On 25 May 2023, the Group entered into a renewed settlement agreement with the Lessor to extend the repayment of the outstanding principal of approximately RMB215,583,000. During the year ended 31 December 2023, the Group repaid RMB17,500,000 over the principal and defaulted in repayment of the remaining balance. On 31 January 2024, the Group entered into a supplementary agreement with the Lessor to extend the outstanding principal to 31 December 2024. Up to the date of these consolidated financial information, the Secured Shares remain frozen by the court order in the PRC.

(d) During the year ended 31 December 2023, certain of the borrowings (including the aforesaid loan from the Lender) with principal amounting to RMB2,206,636,000 (2022: RMB335,363,000) were overdue and defaulted, and overdue interest of RMB140,827,000 (2022: RMB14,470,000) was recognised. The Group is actively liaising with the lenders to extend the repayment period and has not received any request from any lender of the borrowings for accelerated repayment up to the date of these consolidated financial information. Management considers that these borrowings could be repaid through internal fundings and will not have a significant impact to the Group's operations.

18 SHARE CAPITAL

	<i>Note</i>	Number of shares	<i>RMB'000</i>
Ordinary shares of HK\$0.5 (HK\$0.01 before Share Consolidation) each			
Authorised:			
At 1 January 2022, 31 December 2022 and 1 January 2023		40,000,000,000	314,492
Share Consolidation	<i>13</i>	(39,200,000,000)	–
Increase in authorised shares		<u>800,000,000</u>	<u>361,476</u>
At 31 December 2023		<u><u>1,600,000,000</u></u>	<u><u>675,968</u></u>
		Number of shares	<i>RMB'000</i>
Issued and fully paid:			
At 1 January 2022		19,705,391,731	160,872
Placements of new shares		4,856,805,000	41,849
Subscription of new shares		<u>1,970,000,000</u>	<u>17,183</u>
At 31 December 2022 and 1 January 2023		26,532,196,731	219,904
Subscription of new shares	<i>(i)</i>	5,306,000,000	49,596
Share Consolidation	<i>13</i>	<u>(31,201,432,797)</u>	–
At 31 December 2023		<u><u>636,763,934</u></u>	<u><u>269,500</u></u>

Note:

- (i) On 28 July 2023, the Company entered into three subscription agreements with certain subscribers, in respect of the subscription for a total of 5,306,000,000 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.03515 per share. The subscription was completed on 19 October 2023 and proceeds of approximately HK\$186,500,000 (equivalent to approximately RMB173,386,000), net of direct costs was raised.

19 CONTINGENT LIABILITIES

As at 31 December 2023, contingent liabilities not provided for in the consolidated financial information were as follows:

- (i) As at 31 December 2023, the Group provided financial guarantees to one associate (2022: one associate) and three independent third parties (2022: four independent third parties), in favour of bank loans of RMB24,022,000 (2022: RMB40,020,000) and RMB1,139,800,000 (2022: RMB1,219,000,000), respectively. These amounts represented the balances that the Group could be required to be paid if the guarantees were called upon in its entirety. During the year ended 31 December 2022, the entity to which the Group provided certain investment properties as a financial guarantee (the “**Warrantee**”) failed to fulfill its repayment obligation, causing the legal title of those investment properties were frozen by the PRC’s court order. As at 31 December 2023, the carrying amount of those investment properties being frozen was RMB139,179,000 (2022: RMB142,980,000). During the year ended 31 December 2023, the bank initiated an auction on part of those investment properties and met with no response. Subsequent to 31 December 2023, the bank initiated the second auction and one unit of those investment properties was sold up to the date of these consolidation financial information.

In view that the Group has a borrowing owed to the Warrantee which exceeded the carrying value of investment properties under guarantee contract, and the right of the Group to set off the borrowing with the Warrantee by the value of the investment properties in case of confiscation pursuant to the agreement with the Warrantee, the management of the Group, after seeking legal advice, considered that the protection of the Group’s interests was sufficient. Accordingly, no provision for the obligation due to this financial guarantee has been made as at 31 December 2023 and 2022.

As at 31 December 2023, RMB2,672,000 (2022: RMB3,417,000) has been recognised in the consolidated financial information as liabilities for the financial guarantees.

- (ii) On 30 August 2019, a sale and purchase agreement is entered into between an independent third party (the “**Purchaser**”) and the general partner of Fullshare Value Fund I (A) L.P. (the “**Vendor**”), a joint venture of the Group, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 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 approximately SGD169,822,000 (equivalent to approximately RMB911,090,000 (2022: SGD169,822,000 (equivalent to approximately RMB874,690,000) (the “**Guarantee money**”) as at 31 December 2023. 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.

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 2023 and 2022.

20 CAPITAL COMMITMENTS

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
– Property, plant and equipment	1,853,478	3,117,804
– Capital contributions to associates	133,000	133,000
– Capital contributions to joint ventures	50,000	50,000
	<u>2,036,478</u>	<u>3,300,804</u>

21 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, independent third parties and connected persons as follows:

		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment		3,948,536	1,661,522
Investment properties		4,502,440	4,803,265
Right-of-use assets		342,352	269,570
Trade receivables	<i>14</i>	398,794	398,826
Financial assets at FVOCI		549,354	1,034,234
Properties under development		536,311	98,935
Properties held for sale		49,339	49,915
Pledged bank deposits		3,562,398	4,897,224
		<u>13,889,524</u>	<u>13,213,491</u>

BUSINESS REVIEW

The revenue of the Group for the Year 2023, 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 2023, the Group had no contracted sales while during the year ended 31 December 2022 (the “**Year 2022**”), the Group had contracted sales for an aggregate gross floor area (“**GFA**”) of approximately 535 sq.m. for approximately Renminbi (“**RMB**”) 5,895,000. The contracted sales for the Year 2022 were mainly contributed by Xiangti Villa Project* (香醍名邸項目). The decrease in contracted sales and GFA was mainly because most of the old projects had been disposed of in previous years and the real estate market in the People’s Republic of China (the “**PRC**”) has been relatively sluggish in recent years.

As at 31 December 2023, a breakdown of the major properties held by the Group in the PRC and their construction statuses were 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	-	70,946	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	-	68,707	100%
Xiangti Villa* (香醍名邸)Phase 2	At the intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC	Residential project	Not yet commence construction	Third quarter of 2025	30,932	-	-	-	80%
Xiangti Villa* (香醍名邸)Phase 3A	Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC	Residential project	Completed	Completed	6,644	5,585	-	-	80%
Xiangti Villa* (香醍名邸)Phase 3B	Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC	Residential project	Under construction	Fourth quarter of 2025	35,521	-	69,448	192	80%
Xiangti Villa* (香醍名邸)Phase 4	Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC	Residential project	Completed	Completed	28,459	22,758	-	18,625	80%
					257,042	512,035	69,448	218,770	

(b) Investment properties

As at 31 December 2023, 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	82,761	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	2,691	100%
Liuhe Happy Plaza Project* (六合歡樂廣場) (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) (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%
				264,108	

(c) *Green building services and entrusted construction services*

During the Year 2023, the Group engaged in provision of technical design and consulting services, green management services and entrusted construction services in the PRC. During the Year 2023, the revenue from both green building services and entrusted construction services was approximately RMB443,000 (2022: RMB2,017,000).

(2) *Tourism business*

During the Year 2023, 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 being invested and held by the Group include the Laguna project in Australia, the Sheraton project in Australia and Five Seasons Hotel project in Nanjing, PRC.

The Laguna project is located in Bloomsbury, Queensland, Australia which is 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 project comprises the Sheraton Mirage Resort and the Golf Club and has a total of 295 guest rooms, 7 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 2023, the annual average occupancy rate was 65%, which was lower than the annual average occupancy rate of 79% in 2022. The decrease in occupancy rate was mainly attributed to the fact that Cairns Airport was shut down due to the typhoon occurred in December 2023, resulting in a severe reduction in occupancy.

Nanjing Five Seasons Hotel is located in the Software Valley, Nanjing City, Jiangsu Province with a land lot site area of 30,416.26 sq.m. and a total GFA of 81,379.8 sq.m. During the Year 2023, Building 9 and Building 6 of the hotel have been put into full operation.

(3) *Investment and financial services business*

The Group's investment and financial services business consists of holding and investing in various listed and unlisted equities and financial assets and provision of investment and financial related services.

During the Year 2023, this segment recorded a loss of approximately RMB217,498,000 (2022: profit of RMB1,013,898,000). The significant change was mainly because there was a material reversal of impairment losses recognised for certain financial assets upon collection of default loans during the Year 2022 while no such material repayments from defaulted borrowers was made during the Year 2023. The net reversal of impairment losses recognised for loan receivables for the Year 2022 was approximately RMB1,100,802,000.

(a) Listed equity investments held for trading

The portfolio of listed equity investments of the Group held for trading as at 31 December 2023 and 31 December 2022 is set out as below:

As at 31 December 2023

Stock code	Name	Number of shares held (Note 3)	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount RMB'000	Unrealised holding gain/(loss) arising on revaluation for the year RMB'000	Realised gain/(loss) arising from the disposal for the year RMB'000	Dividend received/receivable for the year RMB'000
2098.HK (Note 1)	Zall Smart Commerce Group Ltd (“Zall Group”)	80,000,000	0.65%	31,137	17,988	(11,120)	-	-
1708.HK (Note 1)	Nanjing Sample Technology Company Limited	10,000,000	1.26%	50,641	9,248	(33,817)	-	-
BDX.SGX (Note 2)	GSH Corporation Limited	830,000	0.04%	916	753	(160)	-	-
					<u>27,989</u>	<u>(45,097)</u>	<u>-</u>	<u>-</u>

Notes:

1. These companies are listed companies on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
2. This company is a listed company on The Singapore Exchange.
3. All of the shares held by the Group are ordinary shares of the relevant company.

As at 31 December 2022

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 RMB'000	Realised gain/(loss) arising from the disposal for the year RMB'000	Dividend received/receivable for the year RMB'000
153.HK (Note 1)	China Saite Group Company Limited (Note 3)	190,120,000	6.29%	88,646	-	(18,104)	-	-
2098.HK (Note 1)	Zall Group	80,000,000	0.65%	31,137	28,269	(3,636)	-	-
1708.HK (Note 1)	Nanjing Sample Technology Company Limited	10,000,000	1.26%	50,641	41,608	(12,411)	-	-
					<u>69,877</u>	<u>(34,151)</u>	<u>-</u>	<u>-</u>

Notes:

1. All of the above companies are listed companies on the Stock Exchange.
2. All of the shares held by the Group are ordinary shares of the relevant company.
3. China Saite Group Company Limited was delisted by the Stock Exchange with effect from 16 November 2022. Based on the latest financial information of China Saite Group Company Limited available to public, it is assessed that these shares have no residual value.

(b) Other investments

Apart from the above listed equity investments, the Group also held unlisted equity investments. Certain material unlisted equity investments of the Group classified as financial assets at fair value through other comprehensive income as at 31 December 2023 and 31 December 2022 are set out as below:

As at 31 December 2023

Name of investee	Cost of investment RMB'000	Carrying amount RMB'000	Unrealised holding gain/(loss) arising on revaluation for the year RMB'000	Realised gain/(loss) arising from the disposal for the year RMB'000	Dividend received/receivable for the year RMB'000
Zhejiang Zheshang Chanrong Investment Partnership (Limited Partnership)* ("Zheshang Fund") (浙江浙商產融投資合夥企業(有限合夥) (Note 1)	2,000,000	1,239,000	(302,019)	–	–
Jiangsu Minying Investment Holding Limited* ("Jiangsu Investment") (江蘇民營投資控股有限公司) (Note 1)	400,000	254,896	(74,169)	–	14,000
		<u>1,493,896</u>	<u>(376,188)</u>	<u>–</u>	<u>14,000</u>

Note:

1. Zheshang Fund and Jiangsu Investment are primarily engaged in, among other things, equity and debt investment, investment management and investment consultation.

As at 31 December 2022

Name of investee	Cost of investment <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Unrealised holding gain/(loss) arising on revaluation for the year <i>RMB'000</i>	Realised gain/(loss) arising from the disposal for the year <i>RMB'000</i>	Dividend received/receivable for the year <i>RMB'000</i>
Zheshang Fund	2,000,000	1,541,019	(401,411)	–	–
Jiangsu Investment	400,000	329,065	(14,755)	–	16,000
		<u>1,870,084</u>	<u>(416,166)</u>	<u>–</u>	<u>16,000</u>

The future performance of the investments held by the Group will be affected by the overall economic environment, market condition and the business performance of the investee company. In this regard, the Group will continue 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.

As at 31 December 2023 and 2022, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

(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.

(4) Healthcare, education and others business

During the Year 2023, the Group continued to identify appropriate investment opportunities to inject new impetus for the sustainable development of healthcare, education and other businesses. The revenue of healthcare, education and others segment was approximately RMB151,444,000 (2022: RMB9,332,000).

(5) New energy business

(a) Wind gear transmission equipment

The Group is a leading supplier of wind gear transmission equipment in China, and by leveraging on its strong research, design and development capabilities, our technology has reached an internationally advanced technical level. The wind gear transmission equipment products of the Group are widely applied in onshore and offshore wind power. The large-megawatt wind gear transmission equipment products such as 11MW, 12MW and 13.6MW have been provided to domestic and overseas customers in bulk. During the year, the Group maintained a strong customer portfolio. Customers of our wind gear transmission equipment products include major wind turbine manufacturers in the PRC, as well as renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gamesa Renewable Energy, Suzlon and Doosan.

(b) Industrial gear transmission equipment

The Group's industrial gear transmission equipment products are widely applied to customers in industries such as metallurgy, construction materials, rubber and plastic, petrochemical, aerospace, mining, ports and engineering machinery.

In recent years, the Group has always adhered to the strategy for green development of the industrial gear transmission equipment. With a focus on energy conservation, environmental protection and low carbon, as well as in-depth exploration in the transmission technology and extended driving technology, the Group has, under the iteration and upgrading of product technology in the field of heavy-duty transmission, developed standardized, modular and intelligent products which are internationally competitive and a electromechanical control integrated driving system with high efficiency, high reliability and low energy consumption. With "complete range, clear layers and precise subdivision" as our product positioning and market positioning, the Group was able to facilitate changes in sales strategies and production models, improve comprehensive competitiveness and further consolidate market advantages. Meanwhile, the Group also strengthened its efforts to provide and sell the parts and components of relevant products as well as comprehensive system solutions to its customers, helping customers to enhance their current production efficiency and reduce energy consumption 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 market of industrial gear transmission equipment products.

(c) Rail transportation gear transmission equipment

The Group's rail transportation gear transmission equipment products are widely used in the rail transportation fields such as high-speed rails, metro lines, urban trains and trams. The Company has established long-term cooperative relationships with many well-known domestic and foreign companies in the industry, such as the CRRC Group and the Alstom Group. The Group has obtained ISO/TS22163 Certificate for the Quality Management System of International Railway Industry, CRCC Certification for Railway Products for its rail transportation gear transmission equipment products and Silver Certificate for "IRIS" System, which has laid a solid foundation for further expansion in the international rail transportation market. Currently, the products have been successfully applied to rail transportation transmission equipment in many Chinese cities, such as Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and Taipei, and have also been successfully applied to rail transportation transmission equipment in various countries and regions such as Singapore, India, Brazil, France, Canada, Australia and Egypt. With optimized gearbox design technology, excellent sealing technology and effective control of the production process, the Company's rail transportation gear transmission equipment products are more environmental-friendly, and the products are well received by users.

(d) Trading business

The trading business of the Group mainly comprises trading business of bulk commodities and trading business in steel industrial chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. The trading business in steel industrial chain mainly involves, among others, the procurement and wholesale of raw coal and coke, being upstream raw materials of steel, and the procurement and wholesale of steel.

PROSPECT

In 2024, there are still uncertainties in the overall economic environment of the market. The Group will continue to maintain the stable development of each segment while paying attention to the market, especially major domestic high-quality healthcare projects, and invest with a cautious attitude in order to achieve a considerable comprehensive return. The Group will pay attention to and exit some low-return projects to improve the Group's business portfolio structure and cash flow. The Group firmly believes that a diversified business portfolio can bring sustainable and stable revenue, and that the synergies between the businesses will be fully utilized, thus laying a solid foundation for the Group's development.

The Group will continue to strive to maintain a prudent financial management policy, improve the effectiveness of capital utilisation, strengthen internal corporate governance, control operational and financial risks and enhance its risk resistance capability.

FINANCIAL REVIEW

Revenue

The revenue of the Group from the continued operations increased by approximately RMB3,127,445,000, or 14%, from approximately RMB21,718,371,000 for the Year 2022 to approximately RMB24,845,816,000 for the Year 2023. The revenue from the continued operations and the changes for the Year 2023 and Year 2022 derived from different segments are listed as below:

Segment	Year 2023	Year 2022	Changes	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	percentage
Properties	254,155	225,713	28,442	13%
Tourism	360,389	397,495	(37,106)	(9)%
Investment and financial services	2,680	6,177	(3,497)	(57)%
Healthcare, education and others	151,444	9,332	142,112	1,523%
New Energy	24,077,148	21,079,654	2,997,494	14%
Total Revenue	<u>24,845,816</u>	<u>21,718,371</u>	<u>3,127,445</u>	<u>14%</u>

The increase of the revenue of the Group mainly derived from new energy segment which contributed the largest increment to the revenue of the Group amounting to approximately RMB2,997,494,000. It was mainly due to the increase in deliveries of wind gear transmission equipment.

The revenue from tourism segment decreased by approximately RMB37,106,000. In December 2023, Cairns Airport was forced to shut down due to the extremely bad weather just a week from Christmas, which severely disrupted the travel plans of travelers. This seriously affected the financial performance of Australia hotel at that month. As a result, the revenue decreased in the Year 2023.

The revenue from properties segment increased by approximately RMB28,442,000, which was mainly because more rental income was generated in the Year 2023.

The revenue from healthcare, education and others segment increased sharply mainly because the Group carried out some trading of certain products in the Year 2023.

Cost of sales and services provided

The cost of sales and services provided of the Group from the continued operations increased by approximately RMB2,900,066,000, or 16%, from approximately RMB18,404,027,000 for the Year 2022 to approximately RMB21,304,093,000 for the Year 2023. The cost from the continuing operations and the changes for the Year 2023 and Year 2022 derived from different segments are listed as below:

Segment	Year 2023	Year 2022	Changes	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	percentage
Properties	162,321	262,257	(99,936)	(38)%
Tourism	298,155	302,636	(4,481)	(1)%
Investment and financial services	153	518	(365)	(70)%
Healthcare, education and others	147,098	6,675	140,423	2,104%
New energy	20,696,366	17,831,941	2,864,425	16%
Total cost	<u>21,304,093</u>	<u>18,404,027</u>	<u>2,900,066</u>	<u>16%</u>

Gross profit and gross profit margin

The gross profit of the Group from the continuing operations increased by approximately RMB227,379,000, or 7%, from approximately RMB3,314,344,000 in the Year 2022 to approximately RMB3,541,723,000 for the Year 2023. The gross profit margin decreased from approximately 15% in the Year 2022 to approximately 14% for the Year 2023. The gross profit of the Group was mainly derived from new energy segment. The gross profit and gross profit margin for the Year 2023 derived from new energy segment were approximately RMB3,380,782,000 and 14% (Year 2022: RMB3,247,713,000 and 15%) respectively. The increase in gross profit of new energy segment was mainly due to increase in sales revenue. The decrease in gross profit margin of new energy segment was the result of (i) the increase in the proportion of trading business which has a lower gross profit margin; and (ii) the decrease in gross profit margin of wind gear transmission equipment because of the decreased sales prices and increased costs.

Selling and distribution expenses

Selling and distribution expenses of the Group from the continuing operations increased by approximately RMB58,331,000, or 10%, from approximately RMB559,709,000 in the Year 2022 to approximately RMB618,040,000 for the Year 2023. The selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses, staff costs and business expenses. The increase in selling and distribution expenses in the Year 2023 was mainly in line with the increase in revenue from new energy segment.

Administrative expenses

Administrative expenses of the Group from the continuing operations increased by approximately RMB92,893,000, or 10%, from approximately RMB887,866,000 in the Year 2022 to approximately RMB980,759,000 for the Year 2023. The administrative expenses for the Year 2023 mainly included salaries and staff welfare, provision for penalty, depreciation and amortization of tangible and intangible assets. The increase in the administrative expenses during the Year 2023 was mainly due to the provision for penalty for late payment of a loan on due date amounting to approximately RMB100,000,000 being made in the Year 2023. No such provision was made in the Year 2022.

Research and development costs

Research and development costs of the Group increased by approximately RMB159,657,000, or 21%, from approximately RMB744,816,000 in the Year 2022 to approximately RMB904,473,000 for the Year 2023. The increase in research and development costs was mainly due to increase in efforts put on research and development of new products in new energy segment.

Net (provision for)/reversal of impairment losses recognised on financial assets

A net impairment loss of RMB684,970,000 on the financial assets of the Group was recognised in the Year 2023 as compared with the net reversal of impairment loss of RMB990,838,000 recognised in the Year 2022. During the Year 2022, with the continuous efforts of the management, certain debtors repaid the overdue balances which had been impaired and accordingly, a net reversal of impairment loss was recognised. During the Year 2023, no such material repayments were made. In view of delayed repayments and continuous worsening financial status of certain borrowers or debtors, credit risk of certain financial assets increased since initial recognition. Accordingly, net impairment losses of RMB684,970,000 were recognised.

Other income

Other income decreased by approximately RMB20,056,000, or 5%, from approximately RMB430,385,000 in the Year 2022 to approximately RMB410,329,000 for the Year 2023. Other income for the Year 2023 mainly included bank and other interest income of approximately RMB151,301,000, government grants of approximately RMB93,750,000 and sales of scraps and materials of approximately RMB89,293,000. Other income in the Year 2022 mainly included bank, extension and other interest income of approximately RMB210,334,000, government grants of approximately RMB67,334,000 and sales of scraps and material of approximately RMB63,713,000.

Net fair value changes in financial instruments

The Group maintains its investment segment through processing and investing in various investment and financial products for potential or strategic use purposes. The Group recorded a loss on change in fair value of financial instruments of approximately RMB67,122,000 and RMB917,050,000 in the Year 2023 and Year 2022 respectively. The significant fair value change during the Year 2022 was mainly derived from derivative financial instruments in respect of a forward contract to acquire an entity, principal activity of which is engaged in tourism business seriously affected by the COVID-19. Since the respective acquisition was completed in 2022, such derivative instruments had lapsed.

Other (losses)/gains – net

During the Year 2023, other gains included net exchange gains of approximately RMB125,777,000. However, the other gains was offset by other losses which mainly included waiver of interest on loan receivables of approximately RMB38,866,000 and fair value losses of investment properties of approximately RMB71,475,000.

During the Year 2022, other gains included net exchange gains of approximately RMB200,387,000. However, the other gains was offset by other losses which mainly included waiver of interest on loan receivables of approximately RMB73,711,000 and impairment losses recognised for prepayments of approximately RMB41,896,000.

Finance costs

Finance costs of the Group from the continuing operations significantly increased by approximately RMB262,962,000, or 30%, from approximately RMB872,179,000 in the Year 2022 to approximately RMB1,135,141,000 for the Year 2023, which was mainly due to higher borrowing amount of the Group for the Year 2023 than in the Year 2022 and provision for default interests arising from failure to repay loans on due date.

Share of result of joint ventures and associates

The Group's share of profit from its joint ventures and associates amounted to approximately RMB3,250,000 as compared with share of loss of approximately RMB75,398,000 in the Year 2022. It is mainly due to the improved performance of certain investees during the Year 2023.

Income tax expenses

For the Year 2023, the current tax expense and the deferred tax credit of the Group amounted to approximately RMB184,103,000 and RMB173,514,000 respectively, and in the Year 2022, the current tax expense and the deferred tax credit amounted to approximately RMB641,650,000 and RMB194,044,000, respectively.

The decrease in current tax expense in the Year 2023 was mainly because of a one-off income tax expenses of approximately RMB315,140,000 incurred arising from the disposal of 43% equity interest in Nanjing High Speed Gear Manufacturing Co., Ltd* (南京高速齒輪製造有限公司) during the Year 2022. No such disposal occurred in the Year 2023.

Loss for the Year 2023

In the Year 2023, the Group recorded a loss after tax of approximately RMB455,449,000 while in the Year 2022, the Group recorded a profit after tax of approximately RMB408,696,000. The loss made in the Year 2023 was mainly because of the impairment losses on financial assets recognised and the provision for penalty arising from late payment of a loan on due date and default interests, even though there was a significant decrease in loss on change in fair value of financial instruments.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the Year 2023, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash position

As at 31 December 2023, the Group had cash and cash equivalents (excluding the restricted cash) of approximately RMB5,693,844,000 (31 December 2022: RMB4,533,808,000), representing an increase by approximately RMB1,160,036,000 or 26%, as compared with 31 December 2022. 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

As at 31 December 2023, the debt profile of the Group was analysed as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Bank and other borrowings repayable:		
Within one year or on demand	9,702,996	8,608,849
Between one and two years	2,077,535	1,338,702
Between two to five years	1,479,027	1,892,357
Over five years	1,220,656	1,080,154
Total debts	14,480,214	12,920,062

As at 31 December 2023, the total debt of the Group increased by approximately RMB1,560,152,000 or 12%, as compared with 31 December 2022.

Leverage

The gearing ratio of the Group as at 31 December 2023, calculated as a ratio of the sum of bank and other borrowings to total assets, was approximately 27% (31 December 2022: 23%). The net equity of the Group as at 31 December 2023 was approximately RMB17,438,010,000 (31 December 2022: approximately RMB18,120,248,000).

As at 31 December 2023, the Group recorded total current assets of approximately RMB31,263,965,000 (31 December 2022: RMB33,959,429,000) and total current liabilities of approximately RMB29,511,143,000 (31 December 2022: RMB30,181,512,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.1 as at 31 December 2023 (31 December 2022: 1.1).

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

The Group follows a set of funding and treasury policies to manage its capital resources. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. The Group will continue to maintain suitable treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

As at 31 December 2023, bank and other borrowings of approximately RMB13,721,973,000, RMB506,517,000, RMB6,347,000 and RMB245,377,000 (31 December 2022: RMB12,143,445,000, RMB531,638,000, nil and RMB244,979,000) were denominated in RMB, US dollars, Hong Kong dollars and Australian dollars respectively. The debts in various currencies were mainly made to finance the operation of the Group's entities in different jurisdictions.

Bank and other borrowings of approximately RMB6,431,602,000 (31 December 2022: RMB6,949,171,000) 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 Australian dollars. The Group currently does not have foreign exchange and interest rate hedging policies and does not use financial instrument for hedging purpose. 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 2023 are set out in note 21 to the consolidated financial information attached to this announcement.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the Year 2023, are set out in note 4 to the consolidated financial information attached to this announcement.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 December 2023 are set out in note 20 to the consolidated financial information attached to this announcement.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2023 are set out in note 19 to the consolidated financial information attached to this announcement.

SUBSEQUENT EVENTS

The Group has no material events subsequent to 31 December 2023 as of the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL

The Group conducted the following material disposals in the Year 2023:

The Group, through Five Seasons XVI Limited, a wholly-owned subsidiary of the Company, has disposed of an aggregate of 19,527,000 shares (the “**CHS Share(s)**”) of China High Speed Transmission Equipment Group Co., Limited (“**CHS**”), a non-wholly owned subsidiary of the Company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00658), through the open market at an aggregate consideration of HK\$67,670,720 (excluding transaction costs) during 12 December 2022 to 13 January 2023 (both days inclusive) (the “**Previous Disposal**”).

On 28 December 2023, a disposal mandate (the “**Disposal Mandate**”) has been granted by the shareholders of the Company to the Directors for the possible disposal (the “**Possible Disposal**”) of up to 140,000,000 CHS Shares in the open market through the trading system of the Stock Exchange subject to certain parameters, including but not limited to, the minimum selling price, during a period of 12 months from 28 December 2023 to 27 December 2024 (the “**Mandate Period**”).

The Possible Disposal alone or when aggregated with the Previous Disposal conducted in the previous 12-month period may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Upon completion of the Possible Disposal, CHS will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

For the period from 28 December 2023 to 31 December 2023, the Group, through Five Seasons XVI Limited, disposed of an aggregate of 1,475,000 CHS Shares through the open market of the Stock Exchange at the aggregate consideration of HK\$2,389,200 (excluding transaction costs). As at 31 December 2023, the Group held 1,187,575,693 CHS Shares, representing approximately 72.62% of the total issued share capital of CHS as at 31 December 2023.

Details of the Possible Disposal and Disposal Mandate were set out in the announcement of the Company dated 10 November 2023 and the circular of the Company dated 30 November 2023, respectively.

In the Year 2023, save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or joint ventures. The Group has no specific future plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2023.

EMPLOYEES

As at 31 December 2023, the Group had 8,881 employees (31 December 2022: 8,448 employees). The Group's total staff costs (including executive directors' remuneration) amounted to approximately RMB2,177,895,000 in the Year 2023 (Year 2022: approximately RMB1,968,592,000). 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.

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 C1 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2023.

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 2023 as set out in this announcement have been agreed with the Group’s auditor, Baker Tilly Hong Kong Limited (“**Baker Tilly**”), which are consistent with the figures set out in the Group’s audited consolidated financial statements for the Year 2023. 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 code provisions of the CG Code during the Year 2023 except for the following deviation:

Under the Code Provision C.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 2023, 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 C3 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 2023.

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 2023 will be published on the above-mentioned websites in due course.

By Order of the Board
Fullshare Holdings Limited
Ji Changqun
Chairman

Hong Kong, 28 March 2024

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

* *For identification purpose only*