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CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement (the “**Unaudited Annual Result Announcement**”) of China Huajun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022 regarding the publication of the Company’s unaudited annual results (“**Unaudited Annual Results**”) for the year ended 31 December 2021.

Further to the publication of the Unaudited Annual Result Announcement, the board (the “**Board**”) of directors (the “**Directors**”) of the Company”) hereby announces its audited annual consolidated results (“**Audited Annual Results**”) for the year ended 31 December 2021, together with the corresponding comparative figures for the year ended 31 December 2020 as follows.

There is no difference between the Audited Annual Results and the Unaudited Annual Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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

| | <i>Note</i> | 2021 RMB'000 | 2020 RMB'000 |
|--|-------------|-------------------------------|--------------------|
| Other comprehensive (expense) income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating of foreign operations | | (79,797) | (78,827) |
| Change in fair value of debt instruments at fair value through other comprehensive income (“FVTOCI”) | | (3,375) | (76) |
| Reclassification adjustment relating to loss (gain) on disposal of debt instruments at FVTOCI included in profit or loss | | <u>3,300</u> | <u>(1,142)</u> |
| | | (79,872) | (80,045) |
| Item that will not be reclassified to profit or loss: | | | |
| Exchange differences on translation to presentation currency | | <u>146,855</u> | <u>98,207</u> |
| Other comprehensive income for the year | | <u>66,983</u> | <u>18,162</u> |
| Total comprehensive expense for the year | | <u>(1,717,202)</u> | <u>(1,611,682)</u> |
| Loss for the year attributable to: | | | |
| – Shareholders of the Company | | (1,778,008) | (1,573,818) |
| – Non-controlling interests | | <u>(6,177)</u> | <u>(56,026)</u> |
| | | <u>(1,784,185)</u> | <u>(1,629,844)</u> |
| Total comprehensive expense attributable to: | | | |
| – Shareholders of the Company | | (1,711,029) | (1,555,812) |
| – Non-controlling interests | | <u>(6,173)</u> | <u>(55,870)</u> |
| | | <u>(1,717,202)</u> | <u>(1,611,682)</u> |
| | | RMB | RMB |
| Loss per share | <i>11</i> | | |
| Basic | | <u>(28.89)</u> | <u>(25.57)</u> |
| Diluted | | <u>(28.89)</u> | <u>(25.57)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

| | <i>Notes</i> | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| CURRENT LIABILITIES | | | |
| Trade and other payables, and other liabilities | <i>13</i> | 3,636,931 | 2,374,295 |
| Bill payables | | 17,401 | 428,073 |
| Tax payable | | 118,289 | 119,986 |
| Borrowings | <i>14</i> | 10,828,687 | 9,084,328 |
| Contract liabilities | | 1,287,273 | 1,490,704 |
| Corporate bonds | | 12,657 | 1,699 |
| Convertible bonds – liability component | | – | 193,935 |
| Convertible bonds – derivative component | | – | 33 |
| Deferred consideration | | 74,518 | 51,020 |
| Lease liabilities | | 10,943 | 14,238 |
| | | <u>15,986,699</u> | <u>13,758,311</u> |
| NET CURRENT LIABILITIES | | <u>(7,416,620)</u> | <u>(4,720,691)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(250,949)</u> | <u>3,234,221</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred income | | 133,858 | 155,664 |
| Deferred tax liabilities | | 12,036 | 98,362 |
| Amount due to immediate holding company | | 187,560 | 35,089 |
| Borrowings | <i>14</i> | 188,490 | 1,125,620 |
| Corporate bonds | | 71,117 | 83,113 |
| Convertible bonds – liability component | | – | 612,229 |
| Lease liabilities | | 858 | 8,017 |
| | | <u>593,919</u> | <u>2,118,094</u> |
| NET (LIABILITIES) ASSETS | | <u>(844,868)</u> | <u>1,116,127</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>15</i> | 55,983 | 55,983 |
| Reserves | | (906,601) | 1,048,221 |
| (Deficiency) equity attributable to shareholders of the Company | | (850,618) | 1,104,204 |
| Non-controlling interests | | 5,750 | 11,923 |
| TOTAL (DEFICIENCY) EQUITY | | <u>(844,868)</u> | <u>1,116,127</u> |

NOTES

1. GENERAL

China Huajun Group Limited (the “**Company**”) is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, Pembroke, HM10, Bermuda. The principal place of its business is Suites 903-905, 9/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The directors of the Company (the “**Directors**”) consider that immediate holding company and ultimate holding company of the Company to be Huajun Group Limited (“**HGL**”), a company incorporated in Hong Kong. Its ultimate controlling party is Mr. Meng Guang Bao (“**Mr. Meng**”), who is the chairman of the Board of Directors and an executive director of the Company.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as of 31 December 2021 the Group has capital and other commitments of RMB2,047,628,000 and incurred a net loss of RMB1,784,185,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net liabilities of approximately RMB844,868,000, which included principals and interest and penalty payables of approximately RMB11,017,177,000 and RMB2,248,491,000 respectively of which aggregate principals of approximately RMB9,849,889,000 are in default, therefore, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2021. Moreover, the Group is involved in a number of litigations requesting the Group to settle the defaulted loans along with interests. Subsequent to the end of the reporting period, the Group also failed to repay several tranches of borrowings with principals and interest payable of RMB973,798,000 and RMB206,933,000 respectively as at 31 December 2021. They are due for settlement in February and April 2022. Details are set out in note 14 to this announcement. As at 31 December 2021, the Group only maintained its cash and cash equivalents of approximately RMB152,204,000.

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

The Directors reviewed a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period and consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions.

(i) Expected proceeds from realisation of certain property investment and development projects

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

(ii) Speed up the progress of property development projects

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

(iii) Cash inflow from operations

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

The Directors believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2022. However, should the Group fail to achieve the above mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

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

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2021:

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and related Amendments ³ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 ¹ |
| Amendment to HKFRSs | Annual improvements to HKFRSs 2018-2020 cycle ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ³ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ³ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| Amendments to HKAS 16 | Property, plant and equipment: Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts: Cost of Fulfilling a Contract ² |

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

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

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

⁴ Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update a reference to HKFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

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

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

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group’s liabilities.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 *Inventories*.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

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

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

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

| | For the year ended 31 December 2021 | | | | | | Total RMB'000 |
|---|-------------------------------------|-------------------------------------|--|----------------------------------|----------------------------------|------------------|------------------|
| | Printing RMB'000 | Trading and logistics RMB'000 | Property development and investments RMB'000 | Solar photovoltaic RMB'000 | Financial services RMB'000 | Other RMB'000 | |
| Type of goods and services | | | | | | | |
| Sales of: | | | | | | | |
| – solar photovoltaic products | - | - | - | 98,168 | - | - | 98,168 |
| – printing products | 508,816 | - | - | - | - | - | 508,816 |
| – petrochemical and other related products | - | 2,121,574 | - | - | - | - | 2,121,574 |
| – properties | - | - | 667,115 | - | - | - | 667,115 |
| – hydraulic machinery | - | - | - | - | - | 73,559 | 73,559 |
| – other | - | - | - | - | - | 9,370 | 9,370 |
| Property management services | - | - | 18,357 | - | - | - | 18,357 |
| Total revenue from contracts with customers | 508,816 | 2,121,574 | 685,472 | 98,168 | - | 82,929 | 3,496,959 |
| Finance lease income | - | - | - | - | 1,297 | - | 1,297 |
| Interest income from provision of finance | - | - | - | - | 1,886 | - | 1,886 |
| Rental income from property investments | - | - | 11,002 | - | - | - | 11,002 |
| Dividend from securities investments | - | - | - | - | 1,294 | - | 1,294 |
| Total revenue | <u>508,816</u> | <u>2,121,574</u> | <u>696,474</u> | <u>98,168</u> | <u>4,477</u> | <u>82,929</u> | <u>3,512,438</u> |
| Geographical markets | | | | | | | |
| The PRC | 190,025 | 2,068,229 | 685,472 | 98,168 | - | 82,929 | 3,124,823 |
| The United States of America (“US”) | 179,084 | - | - | - | - | - | 179,084 |
| Hong Kong | 36,055 | 15,454 | - | - | - | - | 51,509 |
| European countries | 41,966 | 15,676 | - | - | - | - | 57,642 |
| Other countries | 61,686 | 22,215 | - | - | - | - | 83,901 |
| Total | <u>508,816</u> | <u>2,121,574</u> | <u>685,472</u> | <u>98,168</u> | <u>-</u> | <u>82,929</u> | <u>3,496,959</u> |

For the year ended 31 December 2020

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

* *Revenue from property management services is recognised over time, and the progress measured using the output method. The property management service fees are billed to the tenants monthly. All other revenue of the Group from contracts with customers are recognised at a point in time.*

5. OPERATING SEGMENTS

The Group manages its businesses by divisions, which are organised by different business lines. Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment is prepared on this basis. The Group has identified the following five reportable segments under HKFRS 8 *Operating Segments* as follows:

- Printing: Sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Trading and logistics: Trading, logistics and supply chain management
- Property development and investments: Property development and investments, property management services
- Solar photovoltaic: Sales and manufacturing of and provision of processing services on solar photovoltaic products
- Financial services: Comprised of provision of finance through money lending services; provision of finance through finance lease; provision of securities brokerage services and investment activities in equity securities, funds, bonds and asset management services and other related services

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include provision of hotel services, department store business and sales and manufacturing of hydraulic machinery in the PRC for the year ended 31 December 2020. During the year ended 31 December 2021, the Group ceased its provision of hotel services and department store business. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "All other segments".

Segment revenue and results

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

For the year ended 31 December 2021

| | Printing <i>RMB'000</i> | Trading and logistics <i>RMB'000</i> | Property development and investments <i>RMB'000</i> | Solar photovoltaic <i>RMB'000</i> | Financial services <i>RMB'000</i> | Reportable segments' total <i>RMB'000</i> | All other segments <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|----------------------------|---|---|---|---|--|---|-------------------------|
| Segment revenue | | | | | | | | |
| Revenue from external customers | 508,816 | 2,121,574 | 696,474 | 98,168 | 4,477 | 3,429,509 | 82,929 | 3,512,438 |
| Segment loss | (29,176) | (6,188) | (550,455) | (96,630) | (12,862) | (695,311) | (17,532) | (712,843) |
| Unallocated amounts | | | | | | | | |
| Change in fair value of convertible bonds – derivative component | | | | | | | | 33 |
| Corporate administrative expense | | | | | | | | (16,661) |
| Other gain and losses, net | | | | | | | | (2,966) |
| Finance costs | | | | | | | | (1,097,345) |
| Share of result of an associate | | | | | | | | 515 |
| Group's loss before tax | | | | | | | | (1,829,267) |

For the year ended 31 December 2020

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

Segment results represent the profit or loss of each operating segment without allocation of gains or losses arising from change in fair value of convertible bonds – derivative component, corporate administrative expenses, corporate other income, finance costs, gain on disposal of subsidiaries, unallocated other gains and losses, and share of result of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2021

| | Printing RMB'000 | Trading and logistics RMB'000 | Property development and investments RMB'000 | Solar photovoltaic RMB'000 | Financial services RMB'000 | Reportable segments' total RMB'000 | All other segments RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---------------------|-------------------------------------|--|----------------------------------|----------------------------------|---|----------------------------------|------------------------|------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | | |
| Depreciation of property, plant and equipment for the year | 28,188 | 7,532 | 17,851 | 26,364 | 221 | 80,156 | 16,188 | 934 | 97,278 |
| Depreciation of right of use assets for the year | 9,991 | 3,896 | 1,145 | 1,765 | 13 | 16,810 | 4,458 | 1,747 | 23,015 |
| Additions to non-current assets during the year | 34,974 | 2,171 | 190,847 | 151,142 | 2,824 | 381,958 | 273,047 | 3,484 | 658,489 |
| Impairment loss (reversal of impairment) recognised in respect of | | | | | | | | | |
| – trade receivable | 682 | – | – | (11,902) | – | (11,220) | – | – | (11,220) |
| – other receivables | – | – | (7,521) | – | – | (7,521) | – | – | (7,521) |
| – property, plant and equipment | – | – | – | 52,863 | – | 52,863 | 5,230 | – | 58,093 |
| – right-of-use assets | – | – | – | – | 30 | 30 | – | – | 30 |
| (Gain) loss on disposal of property, plant and equipment | (805) | 1 | 59 | – | 5 | (740) | (30,623) | – | (31,363) |
| Provision for litigation | – | – | 21,699 | – | – | 21,699 | – | – | 21,699 |
| Loss on early termination of lease | – | – | – | – | – | – | 111 | – | 111 |
| Fair value loss of investment properties | – | – | 372,744 | – | – | 372,744 | – | – | 372,744 |
| Fair value loss of financial assets at FVTPL | – | – | – | – | 1,929 | 1,929 | – | – | 1,929 |
| Loss on disposal of debt instruments at FVTOCI | – | – | – | – | 3,300 | 3,300 | – | – | 3,300 |
| Interest income on bank deposits and pledged bank deposits | (274) | (826) | (384) | (558) | (56) | (2,098) | (5) | (6) | (2,109) |
| Written off of other receivables | – | – | – | 144 | 4,955 | 5,099 | 1,149 | 6 | 6,254 |
| Interest income from finance lease receivables | – | – | – | – | (1,297) | (1,297) | – | – | (1,297) |
| Write-down of inventories | – | 572 | – | – | – | 572 | – | – | 572 |
| Write-down of properties held for sale | – | – | 109,561 | – | – | 109,561 | – | – | 109,561 |

For the year ended 31 December 2020

| | Printing RMB'000 | Trading and logistics RMB'000 | Property development and investments RMB'000 | Solar photovoltaic RMB'000 | Financial services RMB'000 | Reportable segments' total RMB'000 | All other segments RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---------------------|--|--|----------------------------------|----------------------------------|---|----------------------------------|------------------------|------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | | |
| Depreciation of property, plant and equipment for the year | 33,218 | 7,337 | 19,751 | 26,359 | 286 | 86,951 | 14,483 | 1,296 | 102,730 |
| Depreciation of right of use assets for the year | 10,037 | 11,611 | 1,226 | 1,560 | 22 | 24,456 | 6,355 | 16,921 | 47,732 |
| Additions to non-current assets during the year | 109,590 | 2,029 | 195,171 | 222,533 | 10 | 529,333 | 392,470 | 309 | 922,112 |
| Additions to non-current assets through acquisition of subsidiaries during the year | - | - | 12 | - | - | 12 | - | - | 12 |
| Impairment of goodwill | - | - | - | - | 8,087 | 8,087 | - | - | 8,087 |
| Impairment loss recognised in respect of | | | | | | | | | |
| - trade receivables | 1,598 | - | - | 12,300 | - | 13,898 | - | - | 13,898 |
| - other receivables | - | - | 73,807 | - | 1,051 | 74,858 | - | - | 74,858 |
| - loan and interest receivables | - | - | - | - | 11,525 | 11,525 | - | - | 11,525 |
| - property, plant and equipment | 20,269 | - | - | 87,472 | - | 107,741 | 6,625 | - | 114,366 |
| Loss (gain) on disposal of property, plant and equipment | 172 | - | (336) | (268) | 21 | (411) | 243 | (140) | (308) |
| Fair value loss of investment properties | - | - | 175,975 | - | - | 175,975 | - | - | 175,975 |
| Fair value gain of financial assets at FVTPL | - | (231) | - | - | (705) | (936) | - | - | (936) |
| Gain on disposal of debt instruments at FVTOCI | - | - | - | - | (1,142) | (1,142) | - | - | (1,142) |
| Interest income on bank deposits and pledged bank deposits | (233) | (924) | (216) | - | (2,717) | (4,090) | (4,451) | (351) | (8,892) |
| Interest income from finance lease receivables | - | - | - | - | (616) | (616) | - | - | (616) |
| Interest income from loan receivables | - | - | - | - | (1,537) | (1,537) | - | - | (1,537) |
| Provision for litigation | - | - | 31,574 | - | - | 31,574 | - | - | 31,574 |
| Write-down of properties held for sale | - | - | 117,345 | - | - | 117,345 | - | - | 117,345 |

6. OTHER GAINS AND LOSSES, NET

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

7. OTHER INCOME

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest income on bank deposits and pledged bank deposits | 2,109 | 8,892 |
| Government subsidy | – | 4,005 |
| Agency fee income | – | 27,038 |
| Amortisation of deferred income | 451 | – |
| Others | 8,030 | 25,078 |
| | <u>10,590</u> | <u>65,013</u> |

8. FINANCE COSTS

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

9. INCOME TAX (CREDIT) EXPENSE

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

For the years ended 31 December 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

10. LOSS FOR THE YEAR

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

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

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to shareholders of the Company is based on the following data:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Loss | | |
| Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company) | <u>(1,778,008)</u> | <u>(1,573,818)</u> |
| | 2021 | 2020 |
| Number of shares | | |
| Weighted average number of shares for the purposes of basic and diluted loss per share | <u>61,543,075</u> | <u>61,543,075</u> |

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive impact in the years ended 31 December 2021 and 2020.

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

13. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

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

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

14. BORROWINGS

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

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

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Variable-rate borrowings: | | |
| Within one year | 31,796 | 32,000 |
| Fixed-rate borrowings | | |
| Within one year | 10,796,891 | 9,052,328 |
| In more than one year but within two years | 109,490 | 1,125,620 |
| In more than two years but within five years | 79,000 | – |
| | <u>11,017,177</u> | <u>10,209,948</u> |

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

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| Effective interest rate: | | |
| – Fixed-rate borrowings | 4.4% – 20.0% | 4.4% – 12.0% |
| – Variable-rate borrowings | <u>6.41%</u> | <u>2.5% – 3.0%</u> |

- (a) As at 31 December 2021 and 2020, certain banking facilities and loans granted to the Group are secured by the Group's assets.
- (b) During the year ended 31 December 2021, the Group has obtained several tranches of borrowings amounted to RMB2,358,844,000 (2020: RMB2,361,510,000) from Liaoshen Bank Co., Ltd (“**Liaoshen Bank**”) (formerly known as Yingkou Coastal Bank Co., Ltd. (“**Yingkou Coastal Bank**”)), and renewed certain bank borrowings amounted to RMB193,490,000 from other commercial banks. As at 31 December 2021, the total outstanding principal amount of approximately RMB9,849,889,000 (2020: RMB2,129,059,000) was in default and details of material defaulted borrowings are set out below.
- (c) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000 (2020: RMB157,000,000) as at 31 December 2021, the Group breached the repayment terms of which approximately RMB182,682,000 was in default since November 2019. The relevant bank borrowing is an entrusted loan entrusted by Shanghai Linyi Investment Partnership (Limited Partnership)* (“**Shanghai Linyi**”) made available to Baohua Properties (Jiangsu) Co., Ltd.* (“**Baohua Jiangsu**”), a 80% owned subsidiary of the Group. On 25 December 2019, Shanghai Linyi issued a legal letter to Baohua Jiangsu to demand for the outstanding principal, interest of approximately RMB182,682,000 and RMB3,040,000 respectively plus penalty interest at a daily rate of 0.1% since 9 November 2019. On 31 December 2019, Baohua Jiangsu made partial repayment of the principal of approximately RMB25,682,000.

* *English name for reference only*

On 7 January 2020, Shanghai Linyi further filed a claim to Shanghai Financial Court* against Baohua Jiangsu, Huajun Properties (Yangzhou) Co., Ltd.* (“**Huajun Properties Yangzhou**”), the Company and Mr. Meng for the outstanding principal of approximately RMB169,539,000 as at 31 December 2019 plus penalty interest at a daily rate of 0.1% since 31 December 2019. On 10 September 2020, Shanghai Financial Court handed down a judgement in favour of Shanghai Linyi and demanded immediate repayment from Baohua Jiangsu but concluded that the outstanding principal was RMB157,000,000 and unpaid interest of RMB3,040,000. Penalty interest shall be calculated at an annual rate of 24% since 9 November 2019. On 30 September 2020, Baohua Jiangsu filed an appeal to the Shanghai High Court against the interest rate determined by the Shanghai Financial Court. The Shanghai High Court rejected from the Group and the execution notice had been released on 8 July 2021. Up to the date of this announcement, the Group filed another appeal to the Shanghai Financial Court and no update on the appeal result.

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

- (d) In respect of a borrowing with an outstanding principal of RMB1,440,000,000 (2020: RMB1,440,000,000) as at 31 December 2021, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co., Ltd. – Shanghai Branch (“**China Great Wall**”) to Baohua Properties Development (Shanghai) Co., Ltd* (“**Baohua Shanghai**”), an indirect wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd. (“**Baohua Real Estate Dalian**”), the Group’s investment properties and properties held for sale with carrying value of approximately RMB2,331,166,000 and RMB1,593,434,000 (2020: RMB2,499,666,000 and RMB1,593,434,000) as at 31 December 2021 and guaranteed by the Company, Huajun Holdings Group Co., Ltd. (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the “**Guarantors**”). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 9 June 2020, China Great Wall issued a payment notice and demanded repayment of the principals of RMB1,440,000,000 and penalty interest immediately.

On 2 November 2020, the Group received a notice dated 30 October 2020 from the Shanghai Huangpu Notary Public Office (“**Shanghai Notary Office**”) (the “**Notice**”), stating that the lender has applied for the issuance of execution certificate (the “**Execution Certificate**”) to the Group due to the alleged failure of Baohua Shanghai to repay the loan within the specified period. According to the Notice, Baohua Shanghai has the right to object to the issuance of the Execution Certificate within five days after receiving the Notice. On 5 November 2020, Baohua Shanghai submitted an objection letter against the issuance of the Execution Certificate to Shanghai Notary Office. On 28 December 2020, Baohua Shanghai received a second notice dated 23 November 2020 from Shanghai Notary Office, which stated that Baohua Shanghai’s objection against the issuance of the Execution Certificate was not accepted. Baohua Shanghai received further notices from Shanghai Notary Office dated 25 December 2020 and 8 January 2021 respectively in respect of amendments to the computation of compound interest, penalty interest and damages from the default of borrowings. On 11 January 2021, the Execution Certificate was issued by Shanghai Notary Office, pursuant to which China Great Wall can use the Execution Certificate for application to the relevant courts of the PRC for enforcement of immediate repayment on the principal and all outstanding interest. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 10 February 2021, the Shanghai Financial Court issued a notice of execution against Baohua Shanghai, pursuant to which Baohua Shanghai was ordered to pay the outstanding balance of the borrowing plus interest to China Great Wall. On the same date, the Shanghai Financial Court also issued an asset report order against Baohua Shanghai, Baohua Real Estate Dalian and the Guarantors pursuant to which the Guarantors are required to report their assets and relevant financial information to the court.

* *English name for reference only*

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law. In July 2021, the Shanghai Financial Court released a judgment to reject the application for non-enforcement and an application for review of judgement was submitted. The Company is currently seeking legal advice on the enforcement. As at 31 December 2021, the entire outstanding borrowing of RMB1,440,000,000 (2020: RMB1,440,000,000) was classified as current liabilities and outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB434,421,000 (2020: RMB209,581,000) were included in other payables.

- (e) In respect of a borrowing with an outstanding principal of RMB31,796,000 (2020: RMB32,000,000), the Group breached the repayment terms of which the entire loan principal of RMB31,796,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd (“**Zheshang Bank**”) to Shenzhen Huajun Financial Leasing Co., Ltd* (“**Shenzhen Huajun Financial Leasing**”), a 70% owned subsidiary of the Company.

On 10 July 2020, Zheshang Bank filed a claim to Shenzhen Futian District People’s Court* against Shenzhen Huajun Financial Leasing for the outstanding principal of RMB32,000,000 plus unpaid interest (including penalty interest and additional interest) of approximately RMB332,000 and the penalty interest and compound interest shall be calculated at 8.34% per annum. The hearing of the claim was held on 16 September 2020. On 3 December 2020, Shenzhen Futian District People’s Court handed down a judgement to demand Shenzhen Huajun Financial Leasing to repay the outstanding principal and interest (including penalty interest and compound interest) of approximately RMB32,000,000 and RMB1,320,000 accumulated up to 19 November 2020. Thereafter, penalty interest and compound interest shall be calculated at 8.34% per annum. On 30 December 2020, Shenzhen Huajun Financial Leasing filed an appeal to the Guangdong, Shenzhen Intermediate People’s Court against the interest rate determined by the Shenzhen Futian District People’s Court. On 11 May 2021, the Shenzhen Futian District People’s Court handed down the judgement of appeal which withhold the original verdict. On 9 June 2021, an enforcement notice was received. Subsequent to the financial reporting period, certain investment properties of the Group pledged for the loan were enforced to judicial auction and certain properties have been sold for approximately RMB9,286,000.

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

- (f) In respect of a borrowing with an outstanding principal of RMB4,247,000,000 (2020: RMB4,247,000,000), there were interest payments of RMB193,191,000 and RMB192,141,000 due on 22 June 2020 and 23 December 2020 respectively where the Group has not settled. The loan was granted by a financial institution in the PRC to Huajun Properties (Wuxi) Co., Ltd.* (“**Huajun Wuxi**”), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB4,247,000,000 together with any unpaid interest.

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

* *English name for reference only*

- (g) In respect of a borrowing with an outstanding principal of RMB2,658,800,000 (2020: RMB300,000,000), the Group has not repaid the entire outstanding principal. The loan was granted by Liaoshen Bank to Huajun Properties (Dalian) Company Limited (“**Huajun Properties (Dalian)**”), an indirect wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB2,658,800,000 together with any unpaid interest. On August 2021, Liaoshen Bank filed claims to Yingkou Court against Huajun Properties (Dalian) and an order was granted by the Yingkou Court to freeze and preserve the Dalian Office Complex. The first hearing for claims has been held on 23 November 2021 and Yingkou Court handed down a judgement to demand Huajun Properties (Dalian) to repay the outstanding principal and relevant interest.

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

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

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

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

- (j) In respect of a borrowing with an outstanding principal of RMB199,659,000 (2020: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The borrowing was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.* (“**Jiangnan Rural Bank**”) to Huajun Properties (Changzhou) Company Limited* (“**Huajun Changzhou**”), a wholly-owned subsidiary of the Company and was guaranteed by Huajun Power Group Co. Ltd and the Company. In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court* against Huajun Changzhou. The first hearing for claims was held in December 2021 and January 2022. Subsequent to the end of reporting period, the Changzhou Intermediate Court has handed down a judgement to demand Huajun Changzhou to repay all outstanding principal and relevant interest.

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

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

15. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|------------------|----------------|------------------|------------------|
| | 2021 '000 | 2020 '000 | 2021 HK\$'000 | 2020 HK\$'000 |
| Ordinary shares | | | | |
| Authorised: | | | | |
| Ordinary shares of HK\$1.00 each | | | | |
| At the beginning and end of the reporting year | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> |
| | <i>'000</i> | <i>'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Issued and fully paid: | | | | |
| At the beginning of the reporting year and end of the reporting year | <u>61,543</u> | <u>61,543</u> | <u>55,983</u> | <u>55,983</u> |

16. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in note 14, there are no other material events after the reporting period.

BUSINESS REVIEW

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

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

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

For the Current Year, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 60.4% (Last Year: approximately 58.3%) of the total revenue followed by Property Development and Investments segment which accounted for approximately 19.8% (Last Year: approximately 22.8%) of the total revenue. For the Current Year, local PRC sales continued to be our major source of revenue, representing approximately 89.3% (Last Year: 92.0%) of the total revenue.

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

| | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|--------------------------------------|--|-------------|--|-------------|
| | <i>RMB Million</i> | <i>%</i> | <i>RMB Million</i> | <i>%</i> |
| Printing | 508.8 | 14.5% | 440.5 | 12.5% |
| Trading and Logistics | 2,121.6 | 60.4% | 2,050.7 | 58.3% |
| Property Development and Investments | 696.5 | 19.8% | 802.7 | 22.8% |
| Solar Photovoltaic | 98.1 | 2.8% | 109.5 | 3.1% |
| Financial Services | 4.5 | 0.1% | 4.9 | 0.1% |
| Other | 82.9 | 2.4% | 107.2 | 3.2% |
| | <u>3,512.4</u> | <u>100%</u> | <u>3,515.5</u> | <u>100%</u> |

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

| | For the year ended 31 December 2021 | | For the year ended 31 December 2020 | |
|--------------------|--|-------------|--|-------------|
| | <i>RMB Million</i> | <i>%</i> | <i>RMB Million</i> | <i>%</i> |
| The PRC | 3,137.1 | 89.3% | 3,233.8 | 92.0% |
| The United States | 179.1 | 5.1% | 136.9 | 3.9% |
| Hong Kong | 54.7 | 1.6% | 39.7 | 1.1% |
| European countries | 57.6 | 1.6% | 44.8 | 1.3% |
| Other countries | 83.9 | 2.4% | 60.3 | 1.7% |
| | <u>3,512.4</u> | <u>100%</u> | <u>3,515.5</u> | <u>100%</u> |

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

Printing

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

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

Trading and Logistics

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

Property Development and Investments

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

Shanghai Huajun Plaza

Baohua Property Development (Shanghai) Company Limited* (保華房地產開發(上海)有限公司), an indirectly wholly-owned subsidiary of the Company, successfully bid for the land use rights of the land in Minhang District, Shanghai, the PRC through the auction held by Shanghai Minhang District Planning and Land Administration Bureau* (上海市閔行區規劃和土地管理局) offered for sale by way of tender at a bidding price of RMB2,305 million. The land is under development and will offer commercial and office complex named Shanghai Huajun Plaza* (上海華君廣場) with total gross floor area (“GFA”) of approximately 125,000 square metres. 40% of the office properties would be sold and the remaining office and commercial properties will be held for long term investment purpose to generate rental income. The project is under development as at 31 December 2021.

Dalian Projects

Two property projects named Dalian Huajun Plaza* (大連華君廣場) and Bao Hua Wang Yuan* (保華旺苑) are located in Dalian City, Liaoning Province, the PRC. In particular, Dalian Huajun Plaza comprises a parcel of land with a site area of approximately 10,857.10 square meters situated at Xinghai Bay Business Area, Dalian City, the PRC. It is under development into a commercial and Grade A office development complex with total GFA of approximately 146,000 square meters to be erected thereon. The project is under development as at 31 December 2021 and will be developed into a 51-storey commercial and office complex with a 2-storey basement for car parking and ancillary uses.

Property for sale – Gaoyou

A commercial and residential project named Gaoyou Huafu Renjia* (高郵華府人家) with two phases and has a total sellable GFA of approximately 365,000 square meters located in Gaoyou City, Jiangsu Province, the PRC. First phase of the project has been completed and gradually handover to customers since the first quarter of 2020 and have recognised revenue of approximately RMB407.3 million during the Current Year.

Property for sale – Wuxi Project

- (i) A residential development named as Zangpin Yuyuan (藏品裕苑) located at Jiangyin District, Wuxi City in the PRC with parcel of land with a site area of approximately 109,000 square metres, and a total of 4 phases of various residential and ancillary facilities which have been developed.
- (ii) A parcel of land located at Binhu District, Wuxi City in the PRC with site area of approximately 163,000 square meters for residential development with project named Huajun Lake Bay Garden (華君湖灣花園).

We have sold/pre-sale certain properties of Wuxi Project and have recognised revenue of approximately RMB313.4 million from the Wuxi Project during the Current Year.

Solar Photovoltaic

The Group's production of solar products is located in Jiangsu Province in the PRC. To grasp the opportunity for growing trend of solar photovoltaic industry, during the Current Year, the Group is in progress in constructing a new factory in Liuhe District, Jiangsu to be equipped with production lines with latest technology. During the Current Year, certain existing production lines in obsolete technologies located at Jurong City, Jiangsu, have been leased out to generate rental income.

Finance services

(i) Finance Lease

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

(ii) Provision of Finance

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

(iii) Securities Investments

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

(iv) Securities brokerage and assets management

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit and gross profit margin

Gross profit was approximately RMB74.1 million for the Current Year (Last Year: approximately RMB40.9 million), with gross profit margin of approximately 2.1% (Last Year: approximately 1.2%). The slight improvement in gross profit and gross profit margin was attributable to improvement in gross margin of our Trading and Logistics business and, the Group recognised provision for write down of properties held for sales of approximately of RMB109.6 million (Last year: RMB117.3 million), leading to the increase in gross profit and gross profit margin of the Group.

Selling and distribution expenses

For the Current Year, selling and distribution expenses decreased by approximately RMB31.8 million or 23.7% to approximately RMB102.4 million, or 2.9% of revenue for the Current Year, from approximately RMB134.2 million, or 3.8% of revenue for the Last Year. The decrease was primarily due to the decrease in commission expenses, consultancy fees and freight and insurance expenses.

Administrative expenses

For the Current Year, administrative expenses decreased by approximately RMB48.9 million or 13.8% to approximately RMB305.2 million or 8.7% of revenue of the Current Year, from approximately RMB354.1 million, or 10.1% of revenue for the Last Year, was due to a decrease in staff costs and other business tax expenses.

Finance costs

Finance costs for the Current Year was approximately RMB1,097.3 million (Last Year: approximately RMB898.7 million). The increase was primarily due to increase in the average loan balances and increase lead to interest expense on bank and other borrowings, the increase was also due to accrual for penalty interest and provision for liquidated damage for certain loan agreements as disclosed in note 14.

Change in fair value of investment properties

During the Current Year, the Group recorded loss on changes in fair value of investment properties of RMB372.7 million compared to a loss of RMB176.0 million in the Last Year as a result of the decrease in fair value of investment properties held by the Group as at 31 December 2021.

Impairment loss of property, plant and equipment

The Group conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired, primarily due to closure of certain production lines of solar photovoltaic products because of the change in technology and less orders for products produced by such production facilities. The Group also assess the recoverable amount of property, plant and equipment of other loss making units and recognised total impairment losses of approximately RMB58.1 million during the Current Year.

Loss for the year

As a combined effect of the above, during the Current Year, the Group recorded a loss attributable to shareholders of the Company of approximately RMB1,778.0 million, as compared to a loss of approximately RMB1,573.8 million for the Last Year.

Liquidity, financial resources and capital structure

Shareholders' funds

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

Financial position

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

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

Cash and cash equivalents

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

Borrowings

As at 31 December 2021, the Group had interest-bearing bank borrowings and other borrowings of approximately RMB11,017.2 million (31 December 2020: approximately RMB10,209.9 million). Of these borrowings, approximately RMB10,763.1 million (31 December 2020: approximately RMB9,904.3 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

Capital expenditure

For the Current Year, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB658.5 million (Last Year: approximately RMB922.1 million).

Pledge of assets

As at 31 December 2021, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB499.3 million, RMB246.5 million, RMB5,953.8 million, RMB4,913.9 million, RMB10.0 million, RMB10.7 million and RMB7.7 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group has several outstanding legal proceedings with construction contractors, customers, suppliers and joint venture partner that against the Group in the PRC in relation to the Group's Property Development and Investment, Printing and Solar Photovoltaic segments. Apart from disclosed below, the Directors consider that all other legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

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

STAFF

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

Dalian Henglifeng Project

On 5 June 2020, Huajun Department Store (Dalian) Co., Ltd.* (華君百貨(大連)有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with a connected person of the Company, as vendor, to acquire the entire equity interest in and the debt owed to the vendor by Henglifeng Mall (Dalian) Co., Ltd.* (恒利豐商城(大連)有限公司) at the aggregate consideration of RMB98,800,000, which shall be satisfied by issue of the Company's convertible bonds. As certain conditions of the acquisition were not fulfilled on or before conditions fulfillment date, the acquisition was lapsed on 1 July 2021.

Yingkou Furun Industrial

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

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

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) for the Current Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors and reports directly to the Board. The audit committee meets regularly with the Group’s senior management and the Company’s external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2021 as set out in this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the Current Year, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Except as disclosed in note 16, the Group has no significant events after 31 December 2021.

DIVIDEND

The Board did not recommend the payment of a final dividend for the Current Year (the Last Year: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 28 July 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 July 2022 to Thursday, 28 July 2022 (both dates inclusive). No transfer of the Shares may be registered on those dates. Shareholders whose names appear on the register of members of the Company on Monday, 25 July 2022 shall be entitled to attend and vote at the AGM. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 22 July 2022.

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

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual financial statements for the year ended 31 December 2021 as set out below:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in note 2 to this announcement, the Group reported net loss of approximately RMB1,784,185,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net liabilities of approximately RMB844,868,000, which included principals and interest and penalty payables of approximately RMB11,017,177,000 and RMB2,248,491,000 respectively, of which principals of approximately RMB9,849,889,000 in total were in default and therefore the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2021. Moreover, the Group is involved in a number of litigations requesting the Group to settle the defaulted loans along with interests. Details are set out in notes 2 and 14 to this announcement. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB152,204,000 only. These conditions, together with other matters as described in notes 2 and 14 to this announcement, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

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

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

Should the Group fail to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

PUBLICATION OF ANNUAL RESULTS

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

By Order of the Board
China Huajun Group Limited
Yan Ruijie
Chief Executive Officer and Executive Director

Hong Kong, 23 June 2022

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao and Mr. Yan Ruijie as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.

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

* For identification purpose only