# Fullshare Holdings Limited
# 豐盛控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00607

## INTERIM REPORT 2021

豐盛
FULLSHARE

# Contents

# Independent Review Report

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**Independent review report to the board of directors of**
**Fullshare Holdings Limited**
**豐盛控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Fullshare Holdings Limited Ltd (the "**Company**") set out on pages 4 to 80, which comprises the interim condensed consolidated statement of financial position as at 30 June 2021, and the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended and notes to the interim condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Independent Review Report

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*

Hong Kong, 31 August 2021
**Gao Yajun**
Practising certificate number P06391

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | For the six months ended 30 June **2021 (Unaudited) RMB'000** | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| Revenue | 6 | **11,151,369** | 5,783,484 |
| Cost of sales and services | | **(9,225,537)** | (4,580,148) |
| **Gross profit** | | **1,925,832** | 1,203,336 |
| Selling and distribution expenses | | **(245,496)** | (199,043) |
| Administrative expenses | | **(772,085)** | (449,314) |
| Research and development costs | | **(451,007)** | (232,380) |
| Net impairment losses on financial assets and financial guarantee contracts | 3(ii)(f) | **(227,910)** | (512,665) |
| Other income | 8 | **306,518** | 166,187 |
| Net fair value changes in financial instruments | 7 | **(513,976)** | 11,132 |
| Other gains/(losses) – net | 9 | **69,034** | (278,078) |
| **Operating profit/(loss)** | | **90,910** | (290,825) |
| Finance costs | 11 | **(291,413)** | (344,363) |
| Share of results of joint ventures | | **17,119** | (5,133) |
| Share of results of associates | | **(18,431)** | 8,268 |
| **Loss before tax** | | **(201,815)** | (632,053) |
| Income tax (expenses)/credit | 12 | **(163,993)** | 44,868 |
| **Loss for the period** | | **(365,808)** | (587,185) |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

*For the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | For the six months ended 30 June 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| **Other comprehensive (loss)/income for the period:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| – Release of exchange reserve upon disposal of a subsidiary | 24 | **(192,753)** | – |
| – Exchange differences on translation of foreign operations | | **21,420** | (15,230) |
| – Changes in fair value of debt instruments at fair value through other comprehensive income | | **3,207** | 2,833 |
| – Share of other comprehensive income of associates | | **–** | 1,883 |
| – Income tax relating to these items | | **(507)** | (2,204) |
| | | **(168,633)** | (12,718) |
| *Items that will not be reclassified to profit or loss:* | | | |
| – Changes in fair value of equity instruments at fair value through other comprehensive income | | **(118,821)** | (37,800) |
| – Income tax relating to these items | | **34,484** | (10,130) |
| | | **(84,337)** | (47,930) |
| **Other comprehensive loss for the period, net of tax** | | **(252,970)** | (60,648) |
| **Total comprehensive loss for the period** | | **(618,778)** | (647,833) |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

*For the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | **For the six months ended 30 June 2021 (Unaudited) RMB'000** | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| **(Loss)/profit for the period attributable to:** | | | |
| – Equity shareholders of the Company | | **(581,187)** | (644,814) |
| – Non-controlling interests | | **215,379** | 57,629 |
| | | **(365,808)** | (587,185) |
| **Total comprehensive (loss)/income for the period attributable to:** | | | |
| – Equity shareholders of the Company | | **(805,380)** | (717,821) |
| – Non-controlling interests | | **186,602** | 69,988 |
| | | **(618,778)** | (647,833) |
| **Loss per share attributable to equity shareholders of the Company** | | | |
| Basic loss per share | 14 | **RMB(0.030)** | RMB(0.033) |
| Diluted loss per share | 14 | **RMB(0.030)** | RMB(0.033) |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 30 June 2021*
*(Expressed in Renminbi)*

| | Note | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **6,082,236** | 5,535,884 |
| Investment properties | | **4,958,399** | 4,958,399 |
| Right-of-use assets | 15 | **1,358,123** | 1,397,256 |
| Goodwill | | **1,897,927** | 1,913,158 |
| Other intangible assets | | **394,544** | 430,014 |
| Investments in joint ventures | | **415,138** | 398,865 |
| Investments in associates | | **1,686,635** | 1,707,076 |
| Financial assets at fair value through other comprehensive income | 17 | **3,165,438** | 3,066,069 |
| Financial assets at fair value through profit or loss | 16 | **390,323** | 380,179 |
| Other financial assets at amortised cost | 18(iv) | **1,061,893** | 1,045,689 |
| Other receivables | 18(iii) | **3,133** | 2,815 |
| Prepayments | | **98,279** | 49,349 |
| Deferred tax assets | | **682,338** | 663,144 |
| | | **22,194,406** | 21,547,897 |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

*as at 30 June 2021*

*(Expressed in Renminbi)*

| | Note | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|---|
| **Current assets** | | | |
| Inventories | | **4,021,596** | 3,707,244 |
| Trade receivables | 19 | **5,057,749** | 3,161,080 |
| Consideration receivables | 18(ii) | **–** | 129,896 |
| Loans receivables | 18(i) | **1,394,329** | 1,658,704 |
| Prepayments | | **1,374,455** | 1,366,453 |
| Other receivables | 18(iii) | **1,686,406** | 1,876,325 |
| Income tax prepaid | | **2,704** | 2,403 |
| Financial assets at fair value through other comprehensive income | 17 | **2,250,622** | 3,504,200 |
| Financial assets at fair value through profit or loss | 16 | **952,369** | 1,313,913 |
| Properties under development | | **705,460** | 696,681 |
| Properties held for sale | | **234,686** | 438,770 |
| Restricted cash | 20 | **2,841,054** | 1,670,336 |
| Cash and cash equivalents | 20 | **3,257,595** | 2,490,570 |
| | | **23,779,025** | 22,016,575 |
| **Current liabilities** | | | |
| Trade and bills payables | 21 | **8,073,544** | 6,797,908 |
| Other payables and accruals | 22 | **4,385,652** | 2,779,029 |
| Contract liabilities | | **1,220,037** | 2,238,334 |
| Derivative financial instruments | | **539,015** | – |
| Lease liabilities | | **45,587** | 45,611 |
| Bank and other borrowings | 23 | **5,815,011** | 5,019,531 |
| Income tax payable | | **888,243** | 937,787 |
| Warranty provision | | **646,541** | 578,595 |
| Deferred income | | **20,852** | 25,778 |
| | | **21,634,482** | 18,422,573 |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

*as at 30 June 2021*

*(Expressed in Renminbi)*

| | Note | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|---|
| **Net current assets** | | **2,144,543** | 3,594,002 |
| **Total assets less current liabilities** | | **24,338,949** | 25,141,899 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | 23 | **2,126,097** | 2,197,601 |
| Derivative financial instruments | | **32,301** | 43,362 |
| Deferred income | | **172,913** | 177,551 |
| Lease liabilities | | **334,735** | 371,802 |
| Warranty provision | | **479,772** | 372,480 |
| Deferred tax liabilities | | **1,134,930** | 1,182,123 |
| | | **4,280,748** | 4,344,919 |
| **Net assets** | | **20,058,201** | 20,796,980 |
| **Capital and reserves** | | | |
| Share capital | | **160,872** | 160,872 |
| Reserves | | **16,228,964** | 17,014,829 |
| **Equity attributable to equity shareholders of the Company** | | **16,389,836** | 17,175,701 |
| **Non-controlling interests** | | **3,668,365** | 3,621,279 |
| **Total equity** | | **20,058,201** | 20,796,980 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 30 June 2021*

*(Expressed in Renminbi)*

| | | Attributable to equity shareholders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Equity reserve RMB'000 | Share premium RMB'000 | Statutory surplus reserve RMB'000 | Merger reserve RMB'000 | Employee share trust reserve RMB'000 | Other reserve RMB'000 | Investment revaluation reserve RMB'000 | Reverse acquisition reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **At 1 January 2021 (Audited)** | | 160,872 | 422,833 | 17,071,916 | 667,647 | 31,777 | (35,258) | (70,672) | (448,244) | (390,381) | 200,753 | (435,542) | 17,175,701 | 3,621,279 | 20,796,980 |
| **(Loss)/profit for the period** | | - | - | - | - | - | - | - | - | - | - | (581,187) | (581,187) | 215,379 | (365,808) |
| **Other comprehensive (loss)/income for the period** | | | | | | | | | | | | | | | |
| – Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | 1,995 | - | - | - | 1,995 | 705 | 2,700 |
| – Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | (55,847) | - | - | - | (55,847) | (28,490) | (84,337) |
| – Release of exchange reserve upon disposal of a subsidiary | 24 | - | - | - | - | - | - | - | - | - | (192,753) | - | (192,753) | - | (192,753) |
| – Exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | - | - | 22,412 | - | 22,412 | (992) | 21,420 |
| **Total comprehensive (loss)/income for the period** | | - | - | - | - | - | - | - | (53,852) | - | (170,341) | (581,187) | (805,380) | 186,602 | (618,778) |
| Transfer of accumulated gain upon disposal of financial assets at fair value through other comprehensive income to accumulated losses | | - | - | - | - | - | - | - | (35,768) | - | - | 55,283 | 19,515 | (19,515) | - |
| Disposal of subsidiaries | 24 | - | - | - | - | - | - | - | - | - | - | - | - | (30,699) | (30,699) |
| Dividends payable to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | - | - | - | - | (89,302) | (89,302) |
| **At 30 June 2021 (Unaudited)** | | 160,872 | 422,833 | 17,071,916 | 667,647 | 31,777 | (35,258) | (70,672) | (537,864) | (390,381) | 30,412 | (961,446) | 16,389,836 | 3,668,365 | 20,058,201 |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

*for the six months ended 30 June 2020*

*(Expressed in Renminbi)*

| | Attributable to equity shareholders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Equity reserve RMB'000 | Share premium RMB'000 | Statutory surplus reserve RMB'000 | Merger reserve RMB'000 | Employee share trust reserve RMB'000 | Other reserve RMB'000 | Investment revaluation reserve RMB'000 | Reverse acquisition reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits/ (accumulated losses) RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **At 1 January 2020 (Audited)** | 160,872 | 422,833 | 17,071,916 | 616,593 | 31,777 | (35,258) | (394,435) | (318,563) | (390,381) | 200,767 | 242,437 | 17,608,558 | 3,259,263 | 20,867,821 |
| **(Loss)/profit for the period** | – | – | – | – | – | – | – | – | – | – | (644,814) | (644,814) | 57,629 | (587,185) |
| **Other comprehensive (loss)/income for the period** | | | | | | | | | | | | | | |
| – Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax | – | – | – | – | – | – | – | 465 | – | – | – | 465 | 164 | 629 |
| – Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax | – | – | – | – | – | – | – | (62,519) | – | – | – | (62,519) | 14,589 | (47,930) |
| – Share of other comprehensive income of associates | – | – | – | – | – | – | – | 1,883 | – | – | – | 1,883 | – | 1,883 |
| – Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | – | (12,836) | – | (12,836) | (2,394) | (15,230) |
| **Total comprehensive (loss)/income for the period** | – | – | – | – | – | – | – | (60,171) | – | (12,836) | (644,814) | (717,821) | 69,988 | (647,833) |
| Deemed disposal of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | (87,641) | (87,641) |
| Disposal of subsidiaries | – | – | – | (5,126) | – | – | – | – | – | – | 5,126 | – | – | – |
| Dividends to non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | (76,629) | (76,629) |
| Capital contributions by non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | 170 | 170 |
| **At 30 June 2020 (Unaudited)** | 160,872 | 422,833 | 17,071,916 | 611,467 | 31,777 | (35,258) | (394,435) | (378,734) | (390,381) | 187,931 | (397,251) | 16,890,737 | 3,165,151 | 20,055,888 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*for the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | **For the six months ended 30 June 2021 (Unaudited) RMB'000** | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(201,815)** | (632,053) |
| Adjustments to reconcile profit before tax to net cash flows | | **1,494,076** | 1,371,409 |
| Total working capital adjustments | | **(813,191)** | 188,408 |
| **Net cash generated from operations** | | **479,070** | 927,764 |
| Interest received | | **–** | 417 |
| Income taxes (paid)/refunded, net | | **(246,430)** | 4,390 |
| *Net cash generated from operating activities* | | **232,640** | 932,571 |
| **Cash flows from investing activities** | | | |
| Interest received | | **50,458** | 51,732 |
| Placement of pledged bank deposits | | **(4,481,697)** | (2,975,511) |
| Withdrawal of pledged bank deposits | | **3,303,840** | 3,322,926 |
| Investments in structured bank deposits | | **(355,000)** | (363,000) |
| Redemption of structured bank deposits | | **450,996** | 189,671 |
| Purchases of financial assets at fair value through other comprehensive income | | **(600,000)** | – |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | **146,067** | – |
| Purchases of financial assets at fair value through profit or loss | | **–** | (20,608) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **2,194** | 188,856 |
| Purchases of items of property, plant and equipment | | **(633,135)** | (231,700) |
| Proceeds from disposal of items of property, plant and equipment | | **17,097** | 18,461 |
| Payments for land leases deposits | | **(50,730)** | – |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

*for the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | **For the six months ended 30 June 2021 (Unaudited) RMB'000** | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| Receipt of government grants for property, plant and equipment | | **2,735** | 145,671 |
| Purchase of investment properties | | **–** | (68,500) |
| Proceeds from disposal of investment properties | | **–** | 84,486 |
| Purchases of other intangible assets | | **–** | (2,106) |
| Acquisition of subsidiaries | | **–** | (396,731) |
| Deemed disposal of a subsidiary | | **–** | (40) |
| Net cash inflows from disposal of subsidiaries | 24 | **121,911** | 36,682 |
| Receipt of consideration receivables | | **135,500** | 2,157 |
| Receipt of consideration for disposal group classified as held-for-sale | | **–** | 179,546 |
| Proceeds from disposal of an associate | | **–** | 38,160 |
| Capital withdrawal from a joint venture | | **846** | – |
| Other investment income received | | **23,604** | 15,000 |
| Withdrawal of other financial assets at amortised cost | | **–** | 254,050 |
| Loans and other receivables granted | | **(50,000)** | (797,171) |
| Receipt of loans and other receivables | | **959,219** | 1,381,436 |
| *Net cash (used in)/generated from investing activities* | | **(956,095)** | 1,053,467 |

# Interim Condensed Consolidated Financial Statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

*for the six months ended 30 June 2021*
*(Expressed in Renminbi)*

| | Note | For the six months ended 30 June<br>**2021**<br>**(Unaudited)**<br>**RMB'000** | <br>2020<br>(Unaudited)<br>RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Capital contribution by non-controlling shareholders of a subsidiary | | **–** | 170 |
| New bank and other borrowings raised | | **3,117,398** | 2,866,562 |
| Repayment of bank and other borrowings | | **(2,334,158)** | (2,707,647) |
| Redemption of corporate bonds | | **–** | (900,000) |
| Dividends paid | | **–** | (76,629) |
| Capital element of lease rental paid | | **(22,689)** | (18,272) |
| Interest element of lease rental paid | | **(11,510)** | (10,892) |
| Interest paid | | **(254,783)** | (285,230) |
| Consideration received for partial disposal of a subsidiary without loss of control | *22(b)* | **1,000,000** | – |
| *Net cash generated from/(used in) financing activities* | | **1,494,258** | (1,131,938) |
| **Net increase in cash and cash equivalents** | | **770,803** | 854,100 |
| Cash and cash equivalents at the beginning of the period | | **2,490,570** | 2,797,003 |
| Net effect of foreign exchange rate changes | | **(3,778)** | 11,232 |
| **Cash and cash equivalents at end of the period** | | **3,257,595** | 3,662,335 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Financial Statements

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in Renminbi)*

## 1 GENERAL INFORMATION

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

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

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

The interim condensed consolidated financial statements were approved for issue by the board of directors of the Company on 31 August 2021.

# Interim Condensed Consolidated Financial Statements

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's 2020 annual consolidated financial statements, except for the adoption of amendments to accounting policies, as set out in Note 2.1.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim condensed consolidated financial statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's 2020 annual consolidated financial statements. These interim condensed consolidated financial statements and notes thereon do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial statements have been prepared on a going concern basis, although the Group has experienced an overdue borrowing (Note 23(b)) and a deferred and unfulfilled commitment (Note 26(iii)). The management of the Company has closely monitored the liquidity risk and considered the risk is under control after taking into consideration the adequate collaterals to secure the relevant loan and financial position of the Group.

## 2 BASIS OF PREPARATION (continued)

Taxes on income in the interim period are accrued using the tax rates that would be applicable to the expected total annual earnings.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee. They have also been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

### 2.1 New standards, amendments and interpretation adopted by the Group

***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"***

In the current period, the Group has applied Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" (the "**Amendments**") issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021.

The Amendments provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes in the basis for determining the contractual cash flows and hedge accounting as a result of interest rate benchmark reform. The Amendments also set out the disclosure requirements.

The application of the Amendments has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual period beginning on or after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. According to the Group's risk management policies, the financial risks shall be assessed continuously by the management, taking into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed are described below.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2020 annual consolidated financial statements.

### (i) Equity price risk

The Group's equity price risk is exposed through its investments in listed equity securities and certain derivative financial instruments. The Group's equity price risk is mainly concentrated on equity instruments quoted in the SEHK and the NASDAQ Stock Market ("**NASDAQ**"). The Group closely monitors the equity price risk and will consider hedging the risk exposure should the need arise.

In addition, the Group also invested in certain unquoted investments for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk

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

The Group has the following types of financial assets and other item that are subject to expected credit loss ("**ECL**") model:

- Cash and cash equivalents and restricted cash;
- Trade receivables;
- Financial assets at amortised cost (excluding trade receivables);
- Bills receivables measured at FVOCI; and
- Financial guarantee contracts.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

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

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

#### *(a) Trade receivables*

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime ECL provision for trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics and days past due, unless for debtors that are credit-impaired, at which the collection of receivables are assessed individually.

For ECL assessed under the simplified approach, pursuant to which the expected loss rates are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and producer price index in which it sells goods, properties and renders services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(a) Trade receivables (continued)*

On that basis, the ECL provision as at 30 June 2021 and 31 December 2020 was determined as follows:

| As at 30 June 2021 (Unaudited) | Less than 1 year RMB'000 | More than 1 year RMB'000 | More than 2 years RMB'000 | More than 3 years RMB'000 | More than 4 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| ECL rate | **1.91%** | **28.88%** | **52.18%** | **76.62%** | **100.00%** | **7.49%** |
| Gross carrying amount under ECL model (excluding those debtors of which 100% loss allowances have been specifically provided) | **5,005,370** | **144,431** | **59,426** | **72,179** | **185,707** | **5,467,113** |
| Loss allowances under ECL model | **(95,638)** | **(41,707)** | **(31,009)** | **(55,303)** | **(185,707)** | **(409,364)** |
| 100% loss allowances specifically provided | **(5,148)** | **–** | **(28,202)** | **(119,022)** | **(50,687)** | **(203,059)** |
| Loss allowances | **(100,786)** | **(41,707)** | **(59,211)** | **(174,325)** | **(236,394)** | **(612,423)** |
| Net carrying amount | **4,909,732** | **102,724** | **28,417** | **16,876** | **–** | **5,057,749** |

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(a) Trade receivables (continued)*

| As at 31 December 2020 (Audited) | Less than 1 year RMB'000 | More than 1 year RMB'000 | More than 2 years RMB'000 | More than 3 years RMB'000 | More than 4 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| ECL rate | 2.28% | 34.61% | 56.62% | 83.38% | 100.00% | 11.04% |
| Gross carrying amount under ECL model (excluding those debtors of which 100% loss allowances have been specifically provided) | 3,126,419 | 104,473 | 65,736 | 54,704 | 202,067 | 3,553,399 |
| Loss allowances under ECL model | (71,257) | (36,160) | (37,222) | (45,613) | (202,067) | (392,319) |
| 100% loss allowances specifically provided | (4,566) | (11,530) | (50,070) | (119,224) | (17,151) | (202,541) |
| Loss allowances | (75,823) | (47,690) | (87,292) | (164,837) | (219,218) | (594,860) |
| Net carrying amount | 3,055,162 | 68,313 | 28,514 | 9,091 | – | 3,161,080 |

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(a) Trade receivables (continued)*

The provision for loss allowance were recognised in profit or loss in net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

Financial assets at amortised cost (excluding trade receivables) include other receivables, loans receivables, consideration receivables and other financial assets at amortised cost.

The Group uses three categories for financial assets at amortised cost (excluding trade receivables) which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers both historical loss rates and forward-looking macroeconomic data. A summary of the assumptions underpinning the Group's ECL model is as follows:

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(b) Financial assets at amortised cost (excluding trade receivables) (continued)*

| Category | Group definition of category | Basis for recognition of expected credit loss provision | Expected credit loss rate |
|---|---|---|---|
| Stage one | Debtors have a low risk of default and a strong capacity to meet contractual cash flows, or debtors frequently repay after due dates but usually settle in full | 12 month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime | 0% – 5% |
| Stage two | There have been significant increase in credit risk since initial recognition through information developed internally or externally sources | Lifetime expected credit losses | 5% – 40% |
| Stage three | There is evidence indicating the receivable is credit impaired | Lifetime expected credit losses | 40% – 100% |

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(b) Financial assets at amortised cost (excluding trade receivables) (continued)*

As at 30 June 2021 and 31 December 2020, the Group provided for the following ECL provision against financial assets at amortised cost (excluding trade receivables):

| As at 30 June 2021 (Unaudited) | ECL rate RMB'000 | Gross carrying amount RMB'000 | ECL provision RMB'000 | Carrying amount (net of provision for loss allowances) RMB'000 |
|---|---|---|---|---|
| Loans receivables (Note) | 54.74% | 3,080,864 | (1,686,535) | 1,394,329 |
| Other receivables (Note) | 26.11% | 2,286,713 | (597,174) | 1,689,539 |
| Other financial assets at amortised cost | 0.03% | 1,062,258 | (365) | 1,061,893 |
| | | 6,429,835 | (2,284,074) | 4,145,761 |

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(b) Financial assets at amortised cost (excluding trade receivables) (continued)*

| As at 31 December 2020 (Audited) | ECL rate RMB'000 | Gross carrying amount RMB'000 | ECL provision RMB'000 | Carrying amount (net of provision for loss allowances) RMB'000 |
|---|---|---|---|---|
| Loans receivables | 48.12% | 3,197,292 | (1,538,588) | 1,658,704 |
| Consideration receivables | 4.14% | 135,500 | (5,604) | 129,896 |
| Other receivables | 22.67% | 2,430,166 | (551,026) | 1,879,140 |
| Other financial assets at amortised cost | 0.04% | 1,046,141 | (452) | 1,045,689 |
| | | 6,809,099 | (2,095,670) | 4,713,429 |

Note:

The expected loss rate for loans receivables increased in a greater extent during the six months ended 30 June 2021 due to significant increase in credit risks of certain borrowers since initial recognition and therefore an additional impairment loss was recognised during the six months ended 30 June 2021. The financial condition of the borrowers have significantly deteriorated with certain of their loans default in repayments and remain unsettled as at the end of the reporting period.

In addition, the credit risk on embedded interest receivables which was recognised in "Other receivables" as at 30 June 2021 from these loans in default increased in a greater extent and therefore an additional impairment loss was recognised during the six months ended 30 June 2021.

#### *(c) Bills receivables measured at FVOCI*

The Group expects that there is no significant credit risk associated with bills receivables since they are either held with state-owned banks or in medium to large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(d) Financial guarantee contracts*

The Group recognised ECL provision for financial guarantee contracts by using three categories assessment as mentioned in Note 3(ii)(b).

The following table shows reconciliation of loss allowances that has recognised for financial guarantee contracts:

| | RMB'000 |
|---|---|
| ECL provision as at 1 January 2021 (Audited) | 12,000 |
| Provision for loss allowances recognised in profit or loss (Note) | 12,847 |
| ECL provision as at 30 June 2021 (Unaudited) | 24,847 |
| ECL provision as at 1 January 2020 (Audited) | – |
| Provision for loss allowances recognised in profit or loss (Note) | 12,000 |
| ECL provision as at 31 December 2020 (Audited) | 12,000 |

Note:

Certain counterparties are in the process of debt restructuring or their financial conditions have significantly deteriorated during the six months ended 30 June 2021. In the opinion of the directors, the counterparties are not probable to meet their contractual payment obligations in full when due, and thus loss allowances of RMB12,847,000 (six months ended 30 June 2020: RMBNil) were recognised during the six months ended 30 June 2021, which was assessed based on their lifetime ECL (credit impaired) over the guarantee periods provided by the Group.

# Interim Condensed Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Credit risk (continued)

#### *(e) Financial assets at fair value through profit or loss ("FVPL")*

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

As at 30 June 2021, the Group was also exposed to credit risk in relation to debt investments that are measured at FVPL. The debt investments which are unrated or credit rating below the pre-set levels have to be approved by the investment committee. The management regularly reviews and monitors the portfolio of debt securities.

The maximum exposure at the end of the reporting period is the carrying amount of these investments, which is RMB501,521,000 (31 December 2020: RMB505,314,000).

***(f)*** For the six months ended 30 June 2021 and 2020, the summary of the net impairment losses on financial assets and financial guarantee contracts were recognised in profit or loss as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Provision for/(reversal of) impairment losses on: | | |
| – Trade receivables | **26,659** | 93,854 |
| – Loans receivables | **147,947** | 347,211 |
| – Consideration receivables | **(5,604)** | – |
| – Other receivables | **46,148** | 71,600 |
| – Other financial assets at amortised cost | **(87)** | – |
| – Financial guarantee contracts | **12,847** | – |
| | **227,910** | 512,665 |

## 4 FAIR VALUE ESTIMATION

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated statement of financial position approximate their fair values.

Management has assessed that the fair values of current portion of financial assets and financial liabilities recorded at amortised cost approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of financial assets and financial liabilities recorded at amortised cost have been calculated by discounting the expected future cash flow using rates currently available for instruments with similar terms, credit risk and remaining maturities and are not materially different to their carrying amounts. The Group's own non-performance risk for bank and other borrowings as at the end of the reporting period was assessed to be insignificant.

# Interim Condensed Consolidated Financial Statements

## 4 FAIR VALUE ESTIMATION (continued)

### (a) Fair value hierarchy

The Group categorised its financial instruments measured at fair value at the end of each reporting period by the level in the fair value hierarchy as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2021 and year ended 31 December 2020.

# Interim Condensed Consolidated Financial Statements

## 4 FAIR VALUE ESTIMATION (continued)

### (a) Fair value hierarchy (continued)

The following tables present the financial assets and liabilities that are measured at fair value at 30 June 2021 and 31 December 2020:

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at 30 June 2021 (Unaudited)** | | | | |
| Financial assets at FVOCI: | | | | |
| – Listed equity instruments | 221,060 | – | – | 221,060 |
| – Unlisted equity investments | – | – | 3,026,216 | 3,026,216 |
| – Bills receivables | – | – | 2,168,784 | 2,168,784 |
| Financial assets at FVPL: | | | | |
| – Unlisted equity investments | – | – | 785,806 | 785,806 |
| – Listed equity instruments | 16,444 | – | – | 16,444 |
| – Structured bank deposits | – | – | 227,500 | 227,500 |
| – Trade receivables measured at FVPL | – | – | 274,021 | 274,021 |
| – Derivative financial instruments | – | – | 38,921 | 38,921 |
| Financial liabilities at FVPL: | | | | |
| – Derivative financial instruments | – | – | (571,316) | (571,316) |
| | 237,504 | – | 5,949,932 | 6,187,436 |

# Interim Condensed Consolidated Financial Statements

## 4 FAIR VALUE ESTIMATION (continued)

### (a) Fair value hierarchy (continued)

The following tables present the financial assets and liabilities that are measured at fair value at 30 June 2021 and 31 December 2020: (continued)

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| As at 31 December 2020 (Audited) | | | | |
| Financial assets at FVOCI: | | | | |
| – Listed equity instruments | 287,198 | – | – | 287,198 |
| – Unlisted equity investments | – | – | 2,860,708 | 2,860,708 |
| – Bills receivables | – | – | 3,422,363 | 3,422,363 |
| Financial assets at FVPL: | | | | |
| – Unlisted equity investments | – | – | 779,273 | 779,273 |
| – Listed equity instruments | 369,326 | – | – | 369,326 |
| – Structured bank deposits | – | – | 320,045 | 320,045 |
| – Trade receivables measured at FVPL | – | – | 185,269 | 185,269 |
| – Derivative financial instruments | – | – | 40,179 | 40,179 |
| Financial liabilities at FVPL: | | | | |
| – Derivative financial instruments | – | – | (43,362) | (43,362) |
| | 656,524 | – | 7,564,475 | 8,220,999 |

## 4 FAIR VALUE ESTIMATION (continued)

### (b) Valuation techniques used to determine fair values

The fair values of listed equity investments measured as financial assets at FVPL and FVOCI were derived from quoted market prices in active markets. These investments are included in level 1 fair value hierarchy.

The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair values of financial instruments except as detailed above, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair values of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore have been classified by the Group as level 3 fair value hierarchy. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, rate of return and expected recovery date, etc.

### (c) Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair values of the Group's certain financial instruments categorised within level 2 and level 3 fair value hierarchy. The Group's finance department works closely with the independent valuers. Discussions of valuation processes and results were held between the finance department and the valuers at least once every six months.

# Interim Condensed Consolidated Financial Statements

## 4 FAIR VALUE ESTIMATION (continued)

### (d) Fair value measurements using significant unobservable inputs (level 3)

The following tables present the changes in level 3 fair value hierarchy items for the six months ended 30 June 2021 and year ended 31 December 2020:

| | Financial assets at FVPL | | | | | Financial assets at FVOCI | | |
|---|---|---|---|---|---|---|---|---|
| | Unlisted equity investments RMB'000 | Trade receivables RMB'000 | Unlisted debt investments RMB'000 | Structured bank deposits RMB'000 | Derivative financial instruments RMB'000 | Unlisted equity investments RMB'000 | Bills receivables RMB'000 | Total RMB'000 |
| **At 1 January 2021 (Audited)** | 779,273 | 185,269 | – | 320,045 | 40,179 | 2,860,708 | 3,422,363 | 7,607,837 |
| Acquisitions | – | 90,104 | – | 355,000 | – | 600,000 | – | 1,045,104 |
| Disposals | – | – | – | (450,996) | – | (300,000) | (1,256,786) | (2,007,782) |
| Fair value gains/(losses) recognised in profit or loss | 11,450 | (1,352) | – | 3,451 | – | – | – | 13,549 |
| Fair value (losses)/gains recognised in other comprehensive income | – | – | – | – | – | (134,494) | 3,207 | (131,287) |
| Exchange differences | (4,917) | – | – | – | (1,258) | 2 | – | (6,173) |
| **At 30 June 2021 (Unaudited)** | 785,806 | 274,021 | – | 227,500 | 38,921 | 3,026,216 | 2,168,784 | 6,521,248 |

| | Financial assets at FVPL | | | | | Financial assets at FVOCI | | |
|---|---|---|---|---|---|---|---|---|
| | Unlisted equity investments RMB'000 | Trade receivables RMB'000 | Unlisted debt investments RMB'000 | Structured bank deposits RMB'000 | Derivative financial instruments RMB'000 | Unlisted equity investments RMB'000 | Bills receivables RMB'000 | Total RMB'000 |
| **At 1 January 2020 (Audited)** | 465,466 | 86,340 | 1,500 | 157,581 | 588,517 | 3,071,900 | 2,778,410 | 7,149,714 |
| Acquisitions | 340,000 | 99,848 | – | 388,000 | – | – | 638,792 | 1,466,640 |
| Disposals | – | – | (1,500) | (235,960) | (568,317) | (140,739) | – | (946,516) |
| Fair value gains/(losses) recognised in profit or loss | 2,275 | (919) | – | 10,424 | 22,097 | – | – | 33,877 |
| Fair value (losses)/gains recognised in other comprehensive income | – | – | – | – | – | (70,453) | 5,161 | (65,292) |
| Exchange differences | (28,468) | – | – | – | (2,118) | – | – | (30,586) |
| **At 31 December 2020 (Audited)** | 779,273 | 185,269 | – | 320,045 | 40,179 | 2,860,708 | 3,422,363 | 7,607,837 |

## 4 FAIR VALUE ESTIMATION (continued)

### (d) Fair value measurements using significant unobservable inputs (level 3) (continued)

| | **Derivative financial instruments RMB'000** |
|---|---|
| **Financial liabilities at FVPL** | |
| At 1 January 2020 (Audited) | (59,952) |
| Fair value gains recognised in profit or loss | 16,590 |
| **At 31 December 2020 and 1 January 2021 (Audited)** | **(43,362)** |
| **Exchange realignment** | **496** |
| **Fair value losses recognised in profit or loss** | **(528,450)** |
| **At 30 June 2021 (Unaudited)** | **(571,316)** |

# Interim Condensed Consolidated Financial Statements

## 4 FAIR VALUE ESTIMATION (continued)

### (e) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

| Financial instruments | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of significant unobservable inputs to fair value |
|---|---|---|---|---|
| Financial assets at FVPL<br>– Unlisted equity investments<br>– Trade receivables<br>– Structured bank deposits<br>– Derivative financial instruments | Level 3 | Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level | Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level ranging from 2.7% to 9.0% | The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value |
| Financial assets at FVOCI<br>– Unlisted equity investments<br>– Bills receivables | Level 3 | (i) Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level | Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level at 2.6% | The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value |
| | | (ii) Net asset value approach | N/A | N/A |
| | | (iii) Market comparison approach | Discount for lack of marketability, ranging from 20.6% to 28.4% | The lower the discount rate, the higher the fair value |
| Financial liability at FVPL<br>– Derivative financial instruments | Level 3 | Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level | Expected future cash flow; expected recovery date; discounted rates that correspond to the expected risk level ranging from 7.5% to 20.06% | The higher the future cash flow, the higher the fair value; the earlier the recovery date, the higher the fair value; the lower the discount rate, the higher the fair value |

## 4 FAIR VALUE ESTIMATION (continued)

### (f) Sensitivity analysis

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in expected risk level of the financial assets at the end of the reporting period. If the respective rate of return had been 10% higher/lower, the total comprehensive loss (net of tax) for the six months ended 30 June 2021 would have increased/decreased by approximately RMB1,254,000 (year ended 31 December 2020: RMB3,090,000) as a result of the changes in fair value of the financial assets.

## 5 OPERATING SEGMENT INFORMATION

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

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

# Interim Condensed Consolidated Financial Statements

## 5 OPERATING SEGMENT INFORMATION (continued)

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

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

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

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

# Interim Condensed Consolidated Financial Statements

## 5 OPERATING SEGMENT INFORMATION (continued)

| | For the six months ended 30 June 2021 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Properties RMB'000 | Tourism RMB'000 | Investment and financial services RMB'000 | Healthcare, education and others RMB'000 | New energy RMB'000 | Total RMB'000 |
| **Segment revenue:** | | | | | | |
| Sales to external customers | 162,164 | 138,661 | 7,910 | 241,127 | 10,601,507 | 11,151,369 |
| Fair value changes in financial instruments | – | (539,015) | 23,128 | – | 1,911 | (513,976) |
| **Segment results** | (102,173) | (789,365) | (94,323) | (21,850) | 950,590 | (57,121) |
| Reconciliation: | | | | | | |
| Unallocated bank interest income (Note 8) | | | | | | 30,895 |
| Gains on disposal of subsidiaries (Note 9) | | | | | | 196,133 |
| Unallocated income and losses | | | | | | (58,901) |
| Corporate and other unallocated expenses | | | | | | (21,408) |
| Finance costs (Note 11) | | | | | | (291,413) |
| Loss before tax | | | | | | (201,815) |
| **Segment assets at 30 June 2021 (Unaudited)** | 9,272,562 | 479,434 | 5,884,221 | 840,836 | 22,635,747 | 39,112,800 |
| Reconciliation: | | | | | | |
| Corporate and other unallocated assets | | | | | | 6,860,631 |
| **Total assets at 30 June 2021 (Unaudited)** | | | | | | 45,973,431 |
| **Segment liabilities at 30 June 2021 (Unaudited)** | 1,320,947 | 856,823 | 146,224 | 401,379 | 12,120,279 | 14,845,652 |
| Reconciliation: | | | | | | |
| Corporate and other unallocated liabilities | | | | | | 11,069,578 |
| **Total liabilities at 30 June 2021 (Unaudited)** | | | | | | 25,915,230 |

# Interim Condensed Consolidated Financial Statements

## 5 OPERATING SEGMENT INFORMATION (continued)

| | For the six months ended 30 June 2020 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Properties RMB'000 | Tourism RMB'000 | Investment and financial services RMB'000 | Healthcare, education and others RMB'000 | New energy RMB'000 | Total RMB'000 |
| **Segment revenue:** | | | | | | |
| Sales to external customers | 124,364 | 29,520 | 9,521 | 151,283 | 5,468,796 | 5,783,484 |
| Fair value changes in financial instruments | – | – | 11,132 | – | – | 11,132 |
| **Segment results** | (23,549) | (157,381) | (386,496) | (175,367) | 435,366 | (307,427) |
| Reconciliation: | | | | | | |
| Unallocated bank interest income (Note 8) | | | | | | 41,617 |
| Gains on disposal of subsidiaries (Note 9) | | | | | | 7,760 |
| Loss on disposal of an associate (Note 9) | | | | | | (12,388) |
| Unallocated income and losses | | | | | | 25,562 |
| Corporate and other unallocated expenses | | | | | | (42,814) |
| Finance costs (Note 11) | | | | | | (344,363) |
| Loss before tax | | | | | | (632,053) |
| **Segment assets at 31 December 2020 (Audited)** | 9,157,611 | 502,577 | 6,400,471 | 938,454 | 21,529,293 | 38,528,406 |
| Reconciliation: | | | | | | |
| Corporate and other unallocated assets | | | | | | 5,036,066 |
| **Total assets at 31 December 2020 (Audited)** | | | | | | 43,564,472 |
| **Segment liabilities at 31 December 2020 (Audited)** | 1,162,377 | 67,449 | 148,248 | 440,908 | 10,484,118 | 12,303,100 |
| Reconciliation: | | | | | | |
| Corporate and other unallocated liabilities | | | | | | 10,464,392 |
| **Total liabilities at 31 December 2020 (Audited)** | | | | | | 22,767,492 |

# Interim Condensed Consolidated Financial Statements

## 5 OPERATING SEGMENT INFORMATION (continued)

### Revenue from external customers by locations of customers

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| People's Republic of China ("the **PRC**") | **9,103,359** | 4,234,255 |
| United States of America | **1,007,732** | 801,366 |
| Europe | **86,490** | 190,430 |
| Australia | **351,040** | 177,795 |
| Other countries | **602,748** | 379,638 |
| | **11,151,369** | 5,783,484 |

# Interim Condensed Consolidated Financial Statements

## 6 REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| **Revenue from contracts with customers** | | |
| Properties segment: | | |
| – Property development and sales | **53,455** | 25,147 |
| – Construction services | **5,349** | 9,740 |
| | **58,804** | 34,887 |
| Tourism segment: | | |
| – Hotel operations | **133,939** | 29,511 |
| – Sales of tourist goods and services | **4,722** | 9 |
| | **138,661** | 29,520 |
| New energy segment: | | |
| – Sale of gear products | **7,451,928** | 5,468,796 |
| – Trade of goods | **3,149,579** | – |
| | **10,601,507** | 5,468,796 |
| Investment and financial services segment: | | |
| – Investment and financial consulting services | **7,910** | 9,521 |
| Healthcare, education and others segment: | | |
| – Education services | **241,127** | 151,283 |
| | **11,048,009** | 5,694,007 |
| **Revenue from other sources** | | |
| Properties segment: | | |
| – Gross rental income | **103,360** | 89,477 |
| | **11,151,369** | 5,783,484 |

# Interim Condensed Consolidated Financial Statements

## 6 REVENUE (continued)

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Timing of revenue recognition: | | |
| – Recognised at a point in time | **10,659,684** | 5,493,952 |
| – Recognised over time | **388,325** | 200,055 |
| | **11,048,009** | 5,694,007 |

## 7 NET FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Fair value gains in financial assets at FVPL | **14,474** | 1,132 |
| Fair value (losses)/gains in derivative financial instruments (Note) | **(528,450)** | 10,000 |
| | **(513,976)** | 11,132 |

Note:

The fair value change from derivative financial instrument for the six months ended 30 June 2021 was mainly derived from the fair value change of a Forward Purchase Agreement to acquire certain equity interest. Details of the transaction are set out in Note 26(iii).

# Interim Condensed Consolidated Financial Statements

## 8 OTHER INCOME

| | Note | For the six months ended 30 June<br>**2021**<br>**(Unaudited)**<br>**RMB'000** | <br>2020<br>(Unaudited)<br>RMB'000 |
|---|---|---|---|
| Bank interest income | (i) | **30,895** | 41,617 |
| Other interest income | (ii) | **132,037** | 26,737 |
| Dividend income | | **23,604** | 8,719 |
| Management fees income | (iii) | **28,137** | 17,534 |
| Government grants | (iv) | **38,674** | 26,770 |
| Sales of scraps and materials | | **41,622** | 41,249 |
| Others | | **11,549** | 3,561 |
| | | **306,518** | 166,187 |

Notes:

(i) Bank interest income is principally derived from restricted cash and cash and cash equivalents.

(ii) Other interest income is principally derived from loans receivables and other financial assets at amortised cost.

(iii) Management fees income consist of management fees income for leased shops, carparking fees income and other ancillary service income in relation to leases of property.

(iv) Government grants represented mainly grants from the PRC's local authority to support local companies. There are no unfulfilled conditions or contingencies attaching to these grants.

# Interim Condensed Consolidated Financial Statements

## 9 OTHER GAINS/(LOSSES) – NET

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Gains on disposal of subsidiaries (Note 24) | **196,133** | 7,760 |
| Fair value gains of investment properties | **–** | 952 |
| Gains/(losses) on disposal of property, plant and equipment (Note 15) | **1,126** | (2,992) |
| Loss on remeasurement of contingent consideration | **(11,000)** | – |
| Loss on disposal of an associate | **–** | (12,388) |
| Loss on swap contracts | **(16,291)** | (17,835) |
| Impairment losses on goodwill (Note) | **–** | (146,350) |
| Impairment loss on property, plant and equipment (Note 15) | **(22,099)** | (132,800) |
| Foreign exchange (losses)/gains – net | **(78,835)** | 21,610 |
| Others | **–** | 3,965 |
| | **69,034** | (278,078) |

Note:

During the six months ended 30 June 2021, no impairment losses on goodwill was recognised.

During the six months ended 30 June 2020, the Group recognised an impairment loss of RMB146,350,000 in relation to goodwill of education cash-generating-unit ("**CGU**"). Since the outbreak of novel coronavirus pandemic (the "**COVID-19**") has had negative impacts to the economy and resulted in more health concerns for the children, the operating performance and the growth rate of the education CGU were below the expectation. The management considered that such impact was not temporary and reassessed the recoverable amounts by using revised cash flow projections. In view that the recoverable amount was lower than the carrying value, an impairment loss was therefore recognised.

# Interim Condensed Consolidated Financial Statements

## 10 EXPENSES BY NATURE

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Staff costs | | |
| – Salaries and other benefits | **1,013,083** | 811,229 |
| – Pension scheme contributions | **33,787** | 30,550 |
| Cost of inventories sold | **8,184,854** | 3,610,598 |
| Cost of properties sold | **62,815** | 59,058 |
| Depreciation of property, plant and equipment | **243,275** | 247,763 |
| Depreciation of right-of-use assets | **37,249** | 37,340 |
| Advertising expenses | **10,557** | 17,511 |
| Provision for inventories write-down | **142,276** | 33,249 |
| Amortisation of other intangible assets | **35,470** | 36,223 |
| Overdue Penalty on execution of Forward Purchase Agreement (Note 26(iii)) | **260,494** | – |
| Penalty on Past Late Payment on a borrowing (Note 23(b)) | **100,000** | – |
| Others | **570,265** | 577,364 |
| | **10,694,125** | 5,460,885 |
| Representing: | | |
| – Cost of sales and services | **9,225,537** | 4,580,148 |
| – Selling and distribution expenses | **245,496** | 199,043 |
| – Administrative expenses | **772,085** | 449,314 |
| – Research and development costs | **451,007** | 232,380 |
| | **10,694,125** | 5,460,885 |

# Interim Condensed Consolidated Financial Statements

## 11 FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Interest on bank and other borrowings | **279,903** | 269,739 |
| Interest on corporate bonds | **–** | 63,732 |
| Interest on lease liabilities | **11,510** | 10,892 |
| | **291,413** | 344,363 |

## 12 INCOME TAX EXPENSES/(CREDIT)

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Current tax – expenses/(credit) for the period | | |
| – The PRC | **180,019** | 62,401 |
| – Hong Kong | **12,537** | 11,413 |
| – Australia | **3,729** | (426) |
| – Others | **300** | 62 |
| Deferred tax | **(32,592)** | (118,318) |
| | **163,993** | (44,868) |

# Interim Condensed Consolidated Financial Statements

## 12 INCOME TAX EXPENSES/(CREDIT) (continued)

### (a) PRC corporate income tax ("CIT")

PRC CIT has been provided at the rate of 25% (six months ended 30 June 2020: 25%) on the taxable profits of the Group's PRC subsidiaries, except those listed below, for the six months ended 30 June 2021.

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

| **Name of company** | **Year ended during which approval was obtained** |
|---|---|
| Nanjing High Speed Gear Manufacturing Co., Ltd （南京高速齒輪製造有限公司） ("**Nanjing High Speed**") | 31 December 2020 |
| Nanjing High Speed & Accurate Gear (Group) Co., Ltd （南京高精齒輪集團有限公司） ("**Nanjing High Accurate**") | 31 December 2020 |
| Nanjing High Accurate Rail Transportation Equipment Co., Ltd （南京高精軌道交通設備有限公司） ("**Rail Transportation**") | 31 December 2020 |

Note:

The approvals of preferential tax rate of Nanjing High Speed, Nanjing High Accurate and Rail Transportation were issued on 27 December 2017, 17 November 2017 and 7 December 2017 respectively and were all renewed on 2 December 2020. The preferential tax rate was applicable for 3 years when it was first approved by the taxation authority and therefore a 15% preferential tax rate was applied for these subsidiaries in the calculation of CIT for the six months ended 30 June 2021 and 30 June 2020.

## 12 INCOME TAX EXPENSES/(CREDIT) (continued)

### (b) PRC land appreciation tax ("LAT")

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

### (c) Other corporate income tax

Enterprises incorporated in other places other than PRC subject to income tax rates of 8.25% to 30% (six months ended 30 June 2020: 8.25% to 30%) prevailing in the places in which these enterprises operated for the six months ended 30 June 2021.

## 13 DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

# Interim Condensed Consolidated Financial Statements

## 14 LOSS PER SHARE

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Loss for the purpose of calculating the basic and diluted loss per share | **(581,187)** | (644,814) |
| Weighted average number of ordinary shares in issue | **19,687,870,331** | 19,687,870,331 |
| Basic and diluted loss per share | **RMB(0.030)** | RMB(0.033) |

There were no potential dilutive ordinary shares outstanding due to outstanding share options for both the six months ended 30 June 2021 and 30 June 2020. For the six months ended 30 June 2021 and 2020, the weighted average numbers of ordinary shares in issue were adjusted by 17,521,400 shares which are held for the Group's share award scheme.

# Interim Condensed Consolidated Financial Statements

## 15 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group acquired property, plant and equipment and right-of-use assets with a cost of RMB633,190,000 (six months ended 30 June 2020: RMB146,569,000) and RMBNil (six months ended 30 June 2020: RMB10,920,000) respectively.

Property, plant and equipment with a net book value of RMB15,971,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB24,453,000), resulting in a gain on disposal of RMB1,126,000 (six months ended 30 June 2020: a loss on disposal of RMB2,992,000).

As a result of the changes in the current economic environment related to the COVID-19 outbreak, the Group is experiencing negative conditions in its tourism segment in Australia including sharp decrease in revenue due to quarantine measures as well as travel restrictions imposed by many countries and the economic downturn, which indicate that the relevant property, plant and equipment may be impaired. During the six months ended 30 June 2020, the Group performed impairment testing and recognised an impairment loss of RMB126,300,000 related to hotel and land used for development of resort. During the six months ended 30 June 2021, no impairment loss was recognised.

In addition, an impairment loss of RMB22,099,000 (six months ended 30 June 2020: RMB6,500,000) was recognised for certain obsolete property, plant and equipment in new energy CGU. Impairment loss was included in "Other gains/(losses) – net" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

# Interim Condensed Consolidated Financial Statements

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVPL comprise:

- Equity investments that are held for trading;
- Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI; and
- Other non-equity investments that do not qualify for measurement at either amortised cost or FVOCI.

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Derivative financial instruments (Note (d)) | **38,921** | 40,179 |
| Unlisted equity investments (Note (e)) | **351,402** | 340,000 |
| | **390,323** | 380,179 |
| **Current assets** | | |
| Listed equity investments (Note (a)) | **16,444** | 369,326 |
| Unlisted equity investments (Note (e)) | **434,404** | 439,273 |
| Trade receivables measured at FVPL (Note (b)) | **274,021** | 185,269 |
| Structured bank deposits (Note (c)) | **227,500** | 320,045 |
| | **952,369** | 1,313,913 |
| | **1,342,692** | 1,694,092 |

# Interim Condensed Consolidated Financial Statements

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

(a) The balances as at 30 June 2021 and 31 December 2020 represent the fair values of equity shares of a portfolio of Hong Kong listed securities based on the closing prices of these securities quoted on the SEHK on that date. The directors of the Company consider that the closing prices of these securities are the fair values of these investments.

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Zall Group (2098.SEHK) | **–** | 351,453 |
| China Saite Group Company Limited (153.SEHK) | **16,444** | 16,661 |
| Nanjing Sample Technology Company Limited (1708.SEHK) | **–** | 1,212 |
| | **16,444** | 369,326 |

(b) Trade receivables measured at FVPL

In 2018 and 2020, the Group entered into several agreements with two banks to sell all of its eligible trade receivables under certain customers and all rights, titles, interests and benefits the Group has in each such eligible trade receivables on a non-recourse basis without the need for any further action or documentation on the part of the Group or banks, at a discount calculated based on the base rate and number of days for early payment as specified in the agreements.

At 30 June 2021, such trade receivables that are held solely for selling purpose amounting to RMB274,021,000 (31 December 2020: RMB185,269,000) were classified as financial assets at FVPL. For the six months ended 30 June 2021, fair value loss of RMB1,352,000 (six months ended 30 June 2020: RMB1,911,000) was recognised in "Net fair value changes in financial instruments".

(c) Structured bank deposits

At 30 June 2021, structured bank deposits of RMB227,500,000 (31 December 2020: RMB320,045,000) represented financial instruments placed by the Group to three (31 December 2020: three) banks in the PRC for a term within one year. The investment guarantees principal and proceeds are related to the performance of exchange rate, interest rate or stock index on the market.

# Interim Condensed Consolidated Financial Statements

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note: (continued)

(d) Derivative financial instruments

Pursuant to the sale and purchase agreement entered into between Fullshare Investment Management II Limited, the general partner of Fullshare Value Fund I (A) L.P., a joint venture of the Group and the purchaser dated on 30 August 2019 ("**GSH Disposal Agreement"**), the Company is entitled to 23% of distributable proceeds, if any, after the qualifying transactions as specified in the GSH Disposal Agreement ("**Qualifying Transactions**") are completed. As at 30 June 2021 and 31 December 2020, the Qualifying Transactions have not been completed. The separate derivative associated with GSH Disposal Agreement was measured at FVPL amounting to RMB38,921,000 (31 December 2020: RMB40,179,000).

(e) Unlisted equity investments

In December 2020, the Group entered into three limited partnership agreements in respect of the establishment of partnerships in the PRC. Pursuant to the limited partnership agreements, the Group contributed RMB120,000,000, RMB120,000,000 and RMB100,000,000 respectively as a limited partner, which had been paid up by the Group to the partnerships. As at 30 June 2021, these investments had an aggregate fair value of RMB351,402,000 (31 December 2020: RMB340,000,000).

The remaining amounts included the unlisted equity investments with individual amount less than RMB500,000,000.

# Interim Condensed Consolidated Financial Statements

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprise:

- Equity investments which are not held for trading, and the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant; and

- Debt securities where the contractual cash flows are solely for principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial asset.

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Listed equity investment (Note (a)) | **221,060** | 287,198 |
| Unlisted equity investments (Notes (b) and (c)) | **2,944,378** | 2,778,871 |
| | **3,165,438** | 3,066,069 |
| **Current assets** | | |
| Bills receivables (Note (d)) | **2,168,784** | 3,422,363 |
| Unlisted equity investments (Notes (b) and (c)) | **81,838** | 81,837 |
| | **2,250,622** | 3,504,200 |
| | **5,416,060** | 6,570,269 |

# Interim Condensed Consolidated Financial Statements

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Note:

(a) As at 30 June 2021, the balance includes the Group's investment in Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司, 1296.SEHK) amounting to RMB15,214,000 (31 December 2020: RMB8,179,000), the investment in Riyue Heavy Industry Co., Ltd (日月重工股份有限公司, 603218.SHSE) ("**Riyue**") amounting to RMB132,941,000 (31 December 2020: RMB195,233,000), the investment in Class A ordinary shares, Class B ordinary shares and American Depository Share of Tuniu Corporation (TOUR.O.NASDAQ) amounting to RMB56,633,000 (31 December 2020: RMB65,090,000) and the investment in China PengFei Group (中國鵬飛集團有限公司, 3348.SEHK) amounting to RMB16,272,000 (31 December 2020: RMB18,696,000).

(b) On 17 April 2017, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. * (南京高精傳動設備製造集團有限公司) (a non wholly-owned subsidiary of the Company) entered into a limited partnership agreement with thirty-four other partners in respect of the establishment of an investment fund in the PRC named Zhejiang Zheshang Chanrong Equity Investment Fund LLP (浙江浙商產融股權投資基金合夥企業(有限合夥)) (the "**Zheshang Fund**") and the subscription of interest therein. Pursuant to the limited partnership agreement, the full registered capital contribution to the investment fund is RMB65,910,000,000, among which, RMB2,000,000,000 was contributed by the Group as a limited partner, which had been fully paid up by the Group to the investment fund. The investment in Zheshang Fund was revalued on 30 June 2021 and 31 December 2020 based on valuations performed by Canwin Appraisal Co. Ltd, an independent professional qualified valuer by net asset value approach. As at 30 June 2021, the fair value of Zheshang Fund amounted to RMB1,985,308,000 (31 December 2020: RMB2,039,719,000) and a fair value loss of RMB54,411,000 (30 June 2020: fair value gain of RMB353,000) was recognised in OCI for the six months ended 30 June 2021.

(c) On 25 April 2016, Nanjing Fullshare Dazu Technology Company Limited* (南京豐盛大族科技股份有限公司) (a wholly owned subsidiary of the Company) entered into an agreement with other ten companies in respect of the establishment of a company in the PRC named Jiangsu Minying Investment Holding Limited* (江蘇民營投資控股有限公司) ("**Jiangsu Investment**"). Pursuant to the shareholders' agreement, the committed capital contribution by the Group is RMB1,000,000,000, among which RMB600,000,000 was paid up by the Group during six months ended 30 June 2021. All of the committed capital contribution had been fully paid up by the Group as at 30 June 2021.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Note: (continued)

(c) (continued)

Certain equity interests in Jiangsu Investment with a fair value of RMB200,000,000 were pledged as collateral (the "**Collateral**") on a financial guarantee provided by the Group to a third party ("**Warrantee**"). On 13 May 2021, the collateral was sold in a public auction under a forced sale (the "**Forced Sale**") upon the failure of repayment on schedule by the Warrantee. The Group negotiated with the Warrantee whom agreed to compensate in whole for any financial losses of the Group that may have incurred over the Forced Sale (the "**Compensation**"). Management of the Company has assessed the recoverability of the Compensation and considers that the Compensation is recoverable. Therefore, there would be no significant adverse financial impact to the Group.

As at 30 June 2021, the Compensation of RMB200,000,000 was recognised in "Other receivables" (Note 18(iii)(a)). The Compensation is received in full before the date of these interim condensed consolidated financial statements.

As at 30 June 2021, the fair value of the remaining investment in Jiangsu Investment amounted to RMB813,599,000 (31 December 2020: RMB407,409,000).

The remaining amounts include the unlisted equity investments with individual amount less than RMB200,000,000.

(d) Bills receivables that are held for collection of contractual cash flows and for selling purpose are measured at FVOCI. Bills receivables that are held by the Group are usually collected at maturity date or discounted to banks in the PRC by a way of selling before the maturity date.

For the six months ended 30 June 2021, fair value gain of RMB3,207,000 (six months ended 30 June 2020: RMB2,833,000) for bills receivables was recognised in OCI.

# Interim Condensed Consolidated Financial Statements

## 18 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES)

### (i) Loans receivables

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Loans to third parties (Notes (a) and (b)) | **3,080,864** | 3,197,292 |
| Less: Loss allowance | **(1,686,535)** | (1,538,588) |
| | **1,394,329** | 1,658,704 |

Note:

(a) Included in the balance as at 30 June 2021, there is a loan of approximately HKD196,524,000 (equivalent to RMB163,437,000) with a former subsidiary of the Company, Rich Unicorn Holdings Limited (富麒控股有限公司) ("**Rich Unicorn**") which was disposed of during the period. Details of the disposal are set out in Note 24. The balance is secured, bears an interest at 10% per annum and not yet past due as at 30 June 2021.

(b) During the six months ended 30 June 2021, the Group received repayments from independent third parties amounted to RMB279,865,000.

### (ii) Consideration receivables

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Consideration receivables | **–** | 135,500 |
| Less: Loss allowance | **–** | (5,604) |
| | **–** | 129,896 |

# Interim Condensed Consolidated Financial Statements

## 18 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) (continued)

### (iii) Other receivables

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Other receivables | | |
| – Amounts due from third parties (Note (a)) | **2,249,940** | 2,401,505 |
| – Amount due from a joint venture | **30,951** | 1,925 |
| – Amounts due from associates | **5,822** | 26,736 |
| Less: Loss allowance | **(597,174)** | (551,026) |
| | **1,689,539** | 1,879,140 |
| Represented: | | |
| – Current portion | **1,686,406** | 1,876,325 |
| – Non-current portion | **3,133** | 2,815 |
| | **1,689,539** | 1,879,140 |

Note:

(a) As at 30 June 2021, other receivables mainly include a deposit for land lease amounting to RMB75,000,000 (31 December 2020: RMB75,000,000), other receivables from the former subsidiaries of the bundle transaction of RMB544,010,000 (31 December 2020: RMB890,024,000) and Compensation receivables of RMB200,000,000 from the Forced Sale (Note 17(c)) (31 December 2020: RMBNil).

# Interim Condensed Consolidated Financial Statements

## 18 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) (continued)

### (iv) Other financial assets at amortised cost

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Other financial assets at amortised cost | | |
| – Amounts due from third parties (Note (a)) | **1,062,258** | 1,046,141 |
| Less: Loss allowance | **(365)** | (452) |
| | **1,061,893** | 1,045,689 |

Note:

(a) The balances as at 30 June 2021 and 31 December 2020 represented two financial products purchased from an insurance company with interests of fixed rates at 6.50% and 5.80% respectively per annum, both with a 5-year maturity in 2023. The interest and principal are repayable at the maturity date.

## 19 TRADE RECEIVABLES

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Trade receivables | | |
| – Amounts due from third parties | **5,609,751** | 3,750,518 |
| – Amounts due from joint ventures | **60,421** | 5,422 |
| Less: Loss allowance | **(612,423)** | (594,860) |
| | **5,057,749** | 3,161,080 |

# Interim Condensed Consolidated Financial Statements

## 19 TRADE RECEIVABLES (continued)

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Within 90 days | **3,557,515** | 2,747,931 |
| 91 to 180 days | **1,080,427** | 200,825 |
| 181 to 365 days | **271,790** | 106,406 |
| Over 365 days | **148,017** | 105,918 |
| | **5,057,749** | 3,161,080 |

The Group generally allows a credit period of 180 days (31 December 2020: 180 days) to its trade customers for gear products. Apart from that, the Group does not have a standardised and universal credit period granted to its customers for other sales, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts, as appropriate. Trade receivables are non-interest-bearing.

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

# Interim Condensed Consolidated Financial Statements

## 20 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Cash and bank balances | **6,098,649** | 4,160,906 |
| Less: Restricted cash | | |
| – Pledged bank deposits | **(2,831,081)** | (1,653,224) |
| – Restricted bank deposits | **(9,973)** | (17,112) |
| | **(2,841,054)** | (1,670,336) |
| Cash and cash equivalents | **3,257,595** | 2,490,570 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits earn interest at the respective time deposit rates. The bank balances, pledged deposits and restricted banks deposits are deposited with creditworthy banks with no recent history of default.

# Interim Condensed Consolidated Financial Statements

## 21 TRADE AND BILLS PAYABLES

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Trade payables | | |
| – Amounts due to third parties | **3,626,810** | 3,546,059 |
| – Amount due to a joint venture | **1,127** | 1,127 |
| – Amount due to an associate | **144** | 253 |
| Bills payables | **4,445,463** | 3,250,469 |
| | **8,073,544** | 6,797,908 |

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

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Within 90 days | **6,984,176** | 4,187,599 |
| 91 to 180 days | **158,786** | 686,510 |
| 181 to 365 days | **734,481** | 1,451,783 |
| Over 365 days | **196,101** | 472,016 |
| | **8,073,544** | 6,797,908 |

Trade payables due to associates and joint ventures included in trade and bills payables are repayable within 90 days (31 December 2020: 90 days), which represents credit terms similar to those offered by the associate or joint venture to their major customers.

Trade payables are interest-free and are normally settled on terms of 90 to 180 days (31 December 2020: 90 to 180 days).

# Interim Condensed Consolidated Financial Statements

## 22 OTHER PAYABLES AND ACCRUALS

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Accruals | **975,624** | 766,876 |
| Amounts due to joint ventures | **–** | 2,050 |
| Amounts due to associates | **113** | – |
| Overdue Penalty payable on execution of Forward Purchase Agreement (Note 26(iii)) | **260,494** | – |
| Consideration received for partial disposal of a subsidiary (Note (b)) | **1,000,000** | – |
| Other tax payables | **189,628** | 174,424 |
| Other payables | **587,448** | 463,590 |
| Refundable Earnest Money received (Note (a)) | **1,000,000** | 1,000,000 |
| Past Late Payment payable on a borrowing (Note 23(b)) | **100,000** | – |
| Payroll and welfare payables | **147,138** | 259,412 |
| Liability arising from financial guarantee contracts | **31,578** | 19,103 |
| Payables for purchase of property, plant and equipment | **93,629** | 93,574 |
| | **4,385,652** | 2,779,029 |

All the amounts due to joint ventures and associates are unsecured, interest-free and repayable within 180 days (31 December 2020: 180 days).

# Interim Condensed Consolidated Financial Statements

## 22 OTHER PAYABLES AND ACCRUALS (continued)

Note:

(a) On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) ("**Five Seasons XVI**") and Mr. Ji Changqun ("**Mr Ji**") entered into a non-legally binding memorandum of understanding with an independent third party, Neoglory Prosperity Inc. (新光圓成股份有限公司), a PRC company listed on Shenzhen Stock Exchange (002147.SZSE) (the "**Potential Offeror**"), in relation to a possible conditional voluntary partial cash offer for more than 50% but not exceeding 75% of the issued capital of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司) ("**CHS**"), one of the major subsidiaries of the Company whose shares are listed on SEHK, (Stock code: 658) and subsequently changing to a possible sale and purchase of Five Seasons XVI's direct shareholding interests in CHS that would represent more than 50% but not exceeding 73.91% of the issued capital of CHS ("**Possible Sale and Purchase**").

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

During the period ended 30 June 2021, given a third party asserted its rights to claim the Refundable Earnest Money, the proprietary interest of the Refundable Earnest Money was controversial. Up to the date of approval of these interim condensed consolidated financial statements, the receiver of the Refundable Earnest Money was yet to be identified.

On 18 August 2021, the Company received a copy of a notice of arbitration (the "**Notice of Arbitration**"), filed by the Potential Offeror as claimant, pursuant to which the Potential Offeror purports to commence arbitration (the "**Arbitration**") administered by the Hong Kong International Arbitration Centre against the Company and Five Seasons XVI. In the Notice of Arbitration, the Potential Offeror seeks payment of the Earnest Money to it. Management of the Group is seeking legal advice and assessing the potential impact of the subject matter, and will vigorously defend against the Arbitration to protect the legitimate rights and interests of the Group.

# Interim Condensed Consolidated Financial Statements

## 22 OTHER PAYABLES AND ACCRUALS (continued)

Note: (continued)

(b) On 30 March 2021, Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) ("**Nanjing Gear**") and Nanjing High Speed, subsidiaries of the Company, entered into an equity transfer agreement ("**Equity Transfer Agreement**") with an independent third party, Shanghai Wensheng Asset Management Co., Ltd. (上海文盛資產管理股份有限公司), to dispose of 43% of the equity interests of Nanjing High Speed at a consideration of RMB4,300,000,000 (the "**Equity Transfer**"). On 16 June 2021, all of the conditions precedent stated in the Equity Transfer Agreement were fulfilled, and the first instalment of RMB1,000,000,000 has been received during the six months ended 30 June 2021.

On 15 July 2021, the relevant parties entered into a supplemental agreement pursuant to which the payment schedule of the remaining consideration for the Equity Transfer would be extended. Up to the date of these interim condensed consolidated financial statements, the remaining consideration has yet been received and the Equity Transfer has not yet been completed. The Equity Transfer would be completed upon the receipt of all consideration.

Details of the Equity Transfer are set out in the joint announcements of the Company and CHS dated 30 March 2021 and 15 July 2021 and the circulars of each of the Company and CHS dated 26 May 2021 respectively.

## 23 BANK AND OTHER BORROWINGS

| | **30 June 2021** | | 31 December 2020 | |
|---|---|---|---|---|
| | **Current (Unaudited) RMB'000** | **Non-current (Unaudited) RMB'000** | Current (Audited) RMB'000 | Non-current (Audited) RMB'000 |
| Secured | | | | |
| – Bank loans | **778,006** | **1,140,198** | 1,071,695 | 1,156,352 |
| – Loans from other financial institutions | **613,122** | **234,071** | 713,985 | 289,299 |
| – Loans from other third parties | **355,163** | **713,677** | 373,009 | 713,677 |
| Total secured borrowings | **1,746,291** | **2,087,946** | 2,158,689 | 2,159,328 |
| Unsecured | | | | |
| – Bank loans | **2,681,386** | **–** | 1,828,970 | – |
| – Loans from ultimate holding company | **1,213,352** | **–** | 793,235 | – |
| – Loan from a joint venture | **173,519** | **–** | 175,529 | – |
| – Loans from other third parties | **463** | **38,151** | 63,108 | 38,273 |
| Total unsecured borrowings | **4,068,720** | **38,151** | 2,860,842 | 38,273 |
| | **5,815,011** | **2,126,097** | 5,019,531 | 2,197,601 |

# Interim Condensed Consolidated Financial Statements

## 23 BANK AND OTHER BORROWINGS (continued)

Bank and other borrowings carry interest ranging from 0% to 13.84% (31 December 2020: 0% to 9.50%) per annum. As at 30 June 2021, current loans from ultimate holding company of RMB1,213,352,000 (31 December 2020: RMB793,235,000) are interest-free and the current loan from a joint venture of RMB173,519,000 (31 December 2020: RMB175,529,000) carries effective interest rate at 8% (31 December 2020: 8%) per annum.

Bank and other borrowings are repayable as follows:

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Within one year or on demand | **5,815,011** | 5,019,531 |
| Between one and two years | **1,421,355** | 700,166 |
| Between two and five years | **547,058** | 1,319,302 |
| Over five years | **157,684** | 178,133 |
| | **7,941,108** | 7,217,132 |

Notes:

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

(i) All of the Group's equity interests in CHS, a subsidiary of the Group.

(ii) 1,520,000,000 shares of the Company.

(iii) The Group's assets as disclosed in Note 27.

In addition, bank and other borrowings of RMB1,488,514,000 (31 December 2020: RMB1,621,367,000) were guaranteed by Mr. Ji. Bank and other borrowings of RMB1,625,646,000 (31 December 2020: RMB1,659,973,000) were guaranteed by Mr. Ji and a close family member of Mr. Ji.

# Interim Condensed Consolidated Financial Statements

## 23 BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(b) As at 31 December 2020, a loan from Huarong International Trust Co., Ltd. (the "**Lender**") with principal amounting of RMB500,000,000 ("**Principal**") and respective penalty of RMB93,500,000 ("**Past Late Payment**") was past due. An investment property of the Group is pledged as security.

On 9 March 2021, the Lender intended to auction the creditor's rights of the debt to the Group in accordance with its internal procedure. Pursuant to the laws and regulations of the PRC, the auction is requested to be initiated through respective legal procedure(s). Therefore, after a well communication of its intention with the Group, the Lender took such respective legal action to apply for an open auction of the rights of the respective loan aforesaid. However, such auction met with no response. The Group continued to discuss with the Lender on the settlement of the Principal and the Past Late Payment. Another financial institution ("**Assignee**") has negotiated with the Group to take up the relevant loan from the Lender. Based on the negotiations between the Group and the Assignee at that moment, the Assignee agreed to waive the payment of Past Late Payment if the Group could settle its Principal as well as the respective interest as set out in the repayment schedule and the repayment could be made in full within two years from the signing date of the supplementary agreement. The directors of the Company believe that the Group could repay the debts on schedule, accordingly, no provision in relation to the Past Late Payment has been made in the Group's consolidated financial statements as at 31 December 2020.

During the six months ended 30 June 2021, however, the Assignee did not take up the relevant loan from the Lender nor sign the supplementary agreement with the Group. Therefore, a Past Late Payment of RMB100,000,000 (Note 10) and a default interest of RMB30,689,000 were recognised during the six months ended 30 June 2021. Up to the date of these interim condensed consolidated financial statements, the Group is still re-negotiating the repayment schedule with the Lender, while the investment property pledged to the Lender with fair value of RMB1,535,809,000 as at 30 June 2021 is not confiscated by the Lender.

# Interim Condensed Consolidated Financial Statements

## 24 DISPOSAL OF SUBSIDIARIES

On 4 November 2020, the Group entered into an agreement with an independent third party to dispose of its 100% equity interests in Rich Unicorn at a consideration of approximately RMB111,015,000. The disposal was completed on 3 March 2021.

In March 2021, the Group entered into an agreement with an independent third party to dispose of its 51% equity interests in Henan Zhongchuan Equipment Co., Ltd.* (河南中傳裝備有限公司) ("**Henan Sino – Transmission**") at a consideration of RMB32,000,000.

On 28 June 2021, the Group entered into an agreement with an independent third party to dispose of its 70% equity interests in Nanjing Ruisiqi Intelligent Technology Co., Ltd.* (南京瑞思其智能科技有限公司) ("**Ruisiqi**") at a consideration of RMB561,000. The disposal was completed on 30 June 2021.

On 8 March 2021, the Group entered into an agreement with an independent third party to dispose of its 100% equity interests in Guangzhou Fullshare Top Technology Ltd.* (廣州豐盛榜網絡科技有限公司) ("**Fullshare Top Technology**") at a consideration of RMB1. The disposal was completed on 31 March 2021.

# Interim Condensed Consolidated Financial Statements

## 24 DISPOSAL OF SUBSIDIARIES (continued)

The assets and liabilities of the subsidiaries at the respective dates of disposal were as follows:

| | Rich Unicorn RMB'000 | Henan Sino– Transmission RMB'000 | Ruisiqi RMB'000 | Fullshare Top Technology RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Net assets/(liabilities) disposed of comprised: | | | | | |
| – Property, plant and equipment | – | 444 | 27 | – | 471 |
| – Prepayments | – | – | 26 | 1,841 | 1,867 |
| – Financial assets at FVOCI | – | 50 | – | – | 50 |
| – Financial assets at FVPL | 347,691 | – | – | – | 347,691 |
| – Trade receivables | – | 3,635 | 1,859 | 217 | 5,711 |
| – Other receivables | – | 37,659 | 188 | 5 | 37,852 |
| – Inventories | – | 330 | 2,511 | – | 2,841 |
| – Cash and cash equivalents | 77 | 20,337 | 1,011 | 240 | 21,665 |
| – Trade and bills payables | – | (83) | (1,789) | – | (1,872) |
| – Other payables and accruals | (7,682) | (34) | (3,322) | (3,076) | (14,114) |
| – Bank and other borrowings | (231,267) | – | – | – | (231,267) |
| – Non-controlling interests | – | (30,546) | (153) | – | (30,699) |
| Net assets/(liabilities) disposed of | 108,819 | 31,792 | 358 | (773) | 140,196 |
| Release of exchange reserve upon disposal of a subsidiary | (192,753) | – | – | – | (192,753) |
| Cash consideration | (111,015) | (32,000) | (561) | – | (143,576) |
| Gains on disposal of subsidiaries (Note 9) | 194,949 | 208 | 203 | 773 | 196,133 |
| Analysis of cash flows on disposal: | | | | | |
| Consideration received | 111,015 | 32,000 | 561 | – | 143,576 |
| Cash and cash equivalents disposed of | (77) | (20,337) | (1,011) | (240) | (21,665) |
| Net cash inflows/(outflows) from disposals | 110,938 | 11,663 | (450) | (240) | 121,911 |

## 25 CONTINGENT LIABILITIES

As at 30 June 2021, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

### (i) Mortgage facilities

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Guarantees given to banks in connection with mortgage facilities (Note) | **–** | 17,411 |

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalties owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtains the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties could cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties.

As at 30 June 2021, no guarantee has been given to banks in connection with mortgage facilities since the Group obtained the "property title certificate" for the mortgagees.

**(ii)** As at 30 June 2021, the Group provided financial guarantees to an associate (31 December 2020: an associate), two related parties (31 December 2020: two related parties) and three independent third parties (31 December 2020: four independent third parties) in favour of bank loans of RMB232,014,000 (31 December 2020: RMB290,012,000), RMB1,150,000,000 (31 December 2020: RMB1,150,000,000) and RMB320,000,000 (31 December 2020: RMB841,577,000), respectively. These amounts represented the balances that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB31,578,000 (31 December 2020: RMB19,103,000) has been recognised in the interim condensed consolidated financial statements as liabilities.

# Interim Condensed Consolidated Financial Statements

## 25 CONTINGENT LIABILITIES (continued)

**(iii)** On 30 August 2019, a sale and purchase agreement was entered into between an independent third party (the "**Purchaser**"), Fullshare Value Fund I (A) L.P. (the "**Vendor**"), a joint venture of the Group, and the general partner of the Vendor, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the 100% of the issued and paid-up shares of Five Seasons XXII Limited ("**BVI SPV**"), a wholly owned subsidiary of the Vendor, subject to the terms and conditions thereof. The BVI SPV indirectly holds the interests of GSH Plaza in Singapore. The former owner of the GSH Plaza is under certain legal cases with the property builders.

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

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

In the opinion of the directors, based on the claim history from the purchaser to the Group and the reimbursement history from the former owner to the Group, the possibility of default or inability of discharging the relevant obligations by the Group is remote. Accordingly, no provision in relation to the guarantee has been made in the Group's consolidated financial statements as at 30 June 2021 and 31 December 2020.

# Interim Condensed Consolidated Financial Statements

## 25 CONTINGENT LIABILITIES (continued)

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

In 2019, NGC Transmission Europe GmbH received a claim (the "**Claim**") filed by SET with a total amount of EUR11,713,000 (equivalent to RMB92,019,000) (the "**Claimed Amount**") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

Upon the date of the approval of the interim condensed consolidated financial statements, the Claim was under trial and has not yet been determined. The independent lawyers engaged by the Group believe that there are solid arguments to rebut the Claim on the merits whilst also see a certain settlement value to this case which would be substantially below 50% of the total Claimed Amount. As at 30 June 2021, based on the assessment of the independent lawyers, a compensation liability amounting to RMB8,066,000 (31 December 2020: RMB8,066,000) was accrued by the management.

**(v)** On 16 August 2019, it came to the attention of the Company that Mr. Ji was named a defendant in a proceeding involving claim for alleged overdue payments of approximately HKD1,466,000,000 (the "**Proceeding**"). No further information in respect of the Proceeding and the claim thereunder is available as at the date of these interim condensed consolidated financial statements. Pursuant to relevant terms of the Group's loan agreements, the Proceeding might be considered as an event of default the occurrence of which will allow the lender to demand accelerated repayments for certain loans of the Group totalling approximately RMB273,156,000 ("**Loan**"). However, up to the date of these interim condensed consolidated financial statements, the Group has not received any request from any lender of the Loan for any accelerated repayment. Further, the management of the Company considers that adequate collaterals have been provided to secure the Loan. Accordingly, no adjustment or reclassification of the Loan is made to reflect the impact of the Proceeding.

# Interim Condensed Consolidated Financial Statements

## 26 COMMITMENTS

### (i) Operating lease arrangement – the Group as lessor

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

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

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Within 1 year | **145,584** | 176,163 |
| After 1 year but within 2 years | **123,591** | 128,084 |
| After 2 years but within 3 years | **97,347** | 90,469 |
| After 3 years but within 4 years | **68,376** | 72,146 |
| After 4 years but within 5 years | **54,744** | 58,738 |
| After 5 years | **392,442** | 350,484 |
| | **882,084** | 876,084 |

### (ii) Capital commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| – Property, plant and equipment | **1,086,861** | 438,377 |
| – Capital contributions to associates | **177,000** | 177,000 |
| – Capital contributions to joint ventures | **350,000** | 350,000 |
| | **1,613,861** | 965,377 |

# Interim Condensed Consolidated Financial Statements

## 26 COMMITMENTS (continued)

### (iii) Other commitments

On 9 February 2018, the Company, China Merchants Securities Asset Management Company Limited (招商證券資產管理有限公司) and Ningbo Zhongbang Chanrong Holding Co., Ltd.* (寧波眾邦產融控股有限公司) ("**Ningbo Zhongbang**"), both being limited partners of Ningbo Fengdong Investment Management Partnership Enterprise (Limited Partnership) (寧波豐動投資管理合夥企業(有限合夥)) (the "**Fund**") (collectively referred to as "**Limited Partners**") and Ningbo Zhongxin Wanbang Asset Management Company Limited (寧波眾信萬邦資產管理有限公司), being the general partner (the "**General Partner**") of the Fund, entered into a forward sale and purchase agreement ("**Forward Purchase Agreement**"), pursuant to which the Company has conditionally agreed to acquire from each of the Limited Partners their respective interests in the Fund, within 3 years from the date of full payment of the capital contributions made by the Limited Partners and the General Partner (i.e. 12 February 2018) or extended date (the **"Specified Date**") unanimously consented by all parties, at a maximum consideration of approximately RMB3,342,506,567 which was determined with reference to the capital contributions made by the Limited Partners of an aggregate amount of approximately RMB2,630,000,000 and the expected return to be distributed by the Fund in accordance with the terms of the limited partner agreement on the relevant settlement date in accordance with the terms of the Forward Purchase Agreement. In the event of default in executing the Forward Purchase Agreement at the Specified Date, the Company is liable to pay a default penalty, calculated at 0.1% per day of default (the "**Overdue Penalty**").

The object of the Fund is to invest in Shanghai Joyu Culture Communication Company Limited* (上海景域文化傳播股份有限公司) ("**Shanghai Joyu**"), or such other companies or businesses as may be agreed by the Limited Partners and the General Partner. Shanghai Joyu is principally engaged in the tourism and vacation businesses and is a one-stop Online to Offline ("**O2O**") service provider in the PRC tourism business. As at 30 June 2021, the Fund invested held approximately 26.33% (31 December 2020: 26.33%) interests in Shanghai Joyu.

# Interim Condensed Consolidated Financial Statements

## 26 COMMITMENTS (continued)

### (iii) Other commitments (continued)

On 12 February 2021, the Forward Purchase Agreement was due and the Company was yet to complete the acquisitions. Should Ningbo Zhongbang and the Group come to an agreement that Ningbo Zhongbang utilised the loan payable due to the Group of approximately RMB904,315,000 to offset the acquisition obligation of the Company under the Forward Purchase Agreement, the maximum consideration amount due but not yet settled would be approximately RMB2,438,191,000.

In view that the COVID-19 has imposed negative impact on the business condition of Shanghai Joyu, after seeking legal advice, the Group is still in the course of negotiating the contract terms with the Limited Partners and General Partner. Up to the date of approval of these interim condensed consolidated financial statements, no supplemental agreement is concluded. Therefore, an Overdue Penalty of RMB260,494,000 (Note 10) and a fair value loss over the Forward Purchase Agreement of RMB539,015,000 has been recognised in these interim condensed consolidated financial statements based on the valuation on Shanghai Joyu as at 30 June 2021.

## 27 PLEDGE OF ASSETS

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

| | **30 June 2021 (Unaudited) RMB'000** | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Property, plant and equipment | **934,559** | 1,002,598 |
| Investment properties | **4,918,918** | 4,918,918 |
| Right-of-use assets regarding the land use rights | **144,272** | 146,068 |
| Financial assets at FVOCI | **952,416** | 1,610,035 |
| Properties under development | **704,720** | 198,504 |
| Properties held for sale | **194,956** | 229,244 |
| Pledged bank deposits | **2,827,702** | 1,653,224 |
| | **10,677,543** | 9,758,591 |

# Interim Condensed Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group also had the following significant transactions with related parties during the period:

### (i) Transactions with related parties

| | Note | For the six months ended 30 June **2021** **(Unaudited)** **RMB'000** | 2020 (Unaudited) RMB'000 |
|---|---|---|---|
| Associates: | | | |
| – Sales of products | (c) | **86** | – |
| – Purchases of products | (b) | **15** | 28,978 |
| – Receipt of loan lent | (d) | **–** | 7,892 |
| Joint ventures: | | | |
| – Acquisition of properties held for sale | (h) | **–** | 68,500 |
| – Sales of products | (c) | **87,091** | 11,751 |
| – Interest expense | (e) | **6,899** | 7,543 |
| The subsidiaries of the Group's ultimate controlling shareholder: | | | |
| – Management service income | (f) | **270** | 321 |
| – Rental income and other charges | (a) | **921** | – |
| – Acquisition of property, plant and equipment | | **–** | 96 |
| The Group's controlling shareholder: | | | |
| – Loan received | (g) | **545,579** | 230,000 |
| – Repayment of loan received | (g) | **131,619** | 158,988 |
| – Interest expense | (g) | **14,200** | 17,787 |

# Interim Condensed Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (continued)

### (i) Transactions with related parties (continued)

Note:

(a) Rental income and other charges mainly represented the arrangements that the Group charged a company which is controlled by Mr. Ji for rental transactions, water and electricity expenses and other overhead costs according to the actual costs incurred.

(b) The purchases from the associates were made according to the published prices and were agreed by both parties.

(c) The sales to the associates and joint ventures were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to six months was normally granted.

(d) The Group entered into a loan agreement with Nanjing Jiansheng Real Estate Development Company Limited* (南京建盛房地產開發有限公司) to lend RMB28,000,000 in April 2018. The unsettled loan balance of RMB7,000,000 and interest receivable of RMB892,000 at 31 December 2019 were received during the six months ended 30 June 2020.

(e) On 13 March 2017, the Group entered into an agreement with Fullshare Value Fund I L.P. to borrow USD53,739,000 (equivalent to RMB370,558,000) at an annual interest rate of 8%. During the six months ended 30 June 2021, interest expense of RMB6,899,000 was recognised (six months ended 30 June 2020: RMB7,543,000).

(f) The management service income is generated from the transactions which are carried out on terms agreed by the Group and the counterparty, which is ultimately controlled by Mr. Ji.

(g) The Group entered into several loan agreements with Magnolia Wealth International Limited ("**Magnolia Wealth**"), the immediate and ultimate holding company of the Company. As at 30 June 2021, amounts due to Magnolia Wealth were current and interest-free (31 December 2020: current and interest-free). During the six months ended 30 June 2021, the Group recognised an imputed interest expense of RMB14,200,000 (six months ended 30 June 2020: RMB17,787,000) for the loan portion previously classified as non-current, received loan of RMB545,579,000 (six months ended 30 June 2020: RMB230,000,000) and repaid loan of RMB131,619,000 (six months ended 30 June 2020: RMB158,988,000).

(h) On 25 March 2020, the Group acquired RMB68,500,000 properties held for sale from a joint venture according to the fair value of the properties held for sale.

# Interim Condensed Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (continued)

### (ii) Outstanding balances arising from transactions with related parties:

The Group's outstanding balances with its related parties as at the end of the reporting period are disclosed in other receivables (Note 18(iii)), trade receivables (Note 19), trade and bills payables (Note 21), other payables and accruals (Note 22) and bank and other borrowings (Note 23).

### (iii) Outstanding guarantee provided by the Group to related parties:

As at 31 December 2018, the Group has provided guarantees to Nanjing Jiangong Industrial Group Co., Ltd* (南京建工產業集團有限公司) ("**Nanjing Jiangong Industrial**") and Nanjing Jiangong Group Co. Ltd. (南京建工集團有限公司) ("**Nanjing Jiangong**") in favour of their bank loans ("**Bank Loans**") of RMB1,150,000,000 in aggregate by pledging a commercial property directly held by Nanjing Deying Property Limited (南京德盈置業有限公司) (a wholly-owned subsidiary of the Company) with gross floor areas of approximately 100,605 square meters with auxiliary facilities located at Yuhuatai District, Nanjing, Jiangsu Province, the PRC.

On 13 June 2018 and 20 September 2018, each of Mr. Ji, Nanjing Jiangong Industrial and Nanjing Jiangong executed two guarantee letters (collectively referred to as the "**Guarantee Letters**") in favor of the Group. Pursuant to the Guarantee Letters, Mr. Ji undertook that before the Bank Loans are fully repaid or the pledge is released, the balance of loans granted by him (and/or any companies controlled by him) to the Group (the "**Granted Loans**") shall be at least HKD900,000,000 (equivalent to RMB790,351,000) and HKD550,000,000 (equivalent to RMB482,992,000), respectively; Nanjing Jiangong and Nanjing Jiangong Industrial undertook that it would provide a loan to the Company with substantially the same commercial terms as the loan agreement or pledge assets with equivalent value to the Group.

As at 30 June 2021, the Granted Loans exceeded the outstanding amount of the Bank Loans. In the opinion of the directors, the guarantees provided by Mr. Ji in the Guarantee Letters shall be sufficient to indemnify against any liabilities of the Group. Accordingly, no provision for the obligation due to financial guarantees has been made in the Group's interim condensed consolidated financial statements at the end of the reporting period.

Refer to Note 25(ii) for further details of the Group's guarantees in relation to the loan agreements of related parties.

# Interim Condensed Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (continued)

### (iv) Outstanding guarantee provided by related party to the Group:

As at 30 June 2021 and 31 December 2020, a guarantee of HK$8,000,000 (equivalent to RMB6,653,000) at maximum was provided by Mr. Ji to a subsidiary for securing its loan portfolio.

### (v) Compensations of key management personnel of the Group:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB'000** | RMB'000 |
| Short term employee benefits | **5,524** | 7,412 |
| Post-employment benefits | **211** | 135 |
| Total compensations paid to key management personnel | **5,735** | 7,547 |

## 29 EVENTS AFTER THE REPORTING PERIOD

In addition to the receipt of the Notice of Arbitration and the supplemental agreement to extend the payment schedule of the remaining consideration for the Equity Transfer as disclosed in Notes 22 (a) and (b) respectively, the Group had the following transaction subsequent to 30 June 2021.

**Disposal of shares of Riyue through open market**

In July 2021, Nanjing High Speed (a non-wholly owned subsidiary of CHS) disposed an aggregate of 4,076,000 shares of Riyue through open market in a series of transactions at an aggregate gross proceeds of approximately RMB116,759,000 (exclusive of transaction costs).

Details of the disposal are set out in the announcement of the Company dated 20 July 2021.

# Additional Information Required by the Listing Rules

## BUSINESS REVIEW

During the Period Under Review, the revenue of the Group was derived from property, tourism, investment and financial services, healthcare and education and new energy businesses.

### (1) Property business

#### *(a) Property sales*

During the Period Under Review, the Group had contracted sales of approximately Renminbi ("**RMB**") 42,367,000, representing an increase of approximately 109% as compared with the six months ended 30 June 2020 (the "**Corresponding Period of 2020**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 3,612 sq.m., representing an increase of approximately 232% as compared with the Corresponding Period of 2020. The contracted sales for the Period Under Review were mainly contributed by Xiangti Villa Project (香醍名邸項目) developed by a Tianjin property development Company which was acquired by the Group in the previous year. As at 30 June 2021, the Group's contracted sales for the contracts signed but properties not yet delivered were approximately RMB2,968,000 with a total GFA of 251 sq.m.. During the Period Under Review, the average contracted selling price was approximately RMB11,729 per sq.m., representing a decrease of approximately 37% as compared with the Corresponding Period of 2020.

# Additional Information Required by the Listing Rules

As at 30 June 2021, a breakdown of the major properties held by the Group in the People's Republic of China (the "**PRC**") and their construction status was as follows:

| Project name | Address | Project type | Construction progress of the project | Expected completion date | Site area (sq.m.) | GFA completed (sq.m.) | GFA under construction (sq.m.) | Accumulated contracted sales GFA (sq.m.) | Interest attributable to the Group |
|---|---|---|---|---|---|---|---|---|---|
| **Nanjing** | | | | | | | | | |
| Yuhua Salon (雨花客廳) A1 | No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC | Office and commercial project | Completed | Completed | 33,606 | 79,287 | – | 60,300 | 100% |
| Yuhua Salon (雨花客廳) A2 | No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC | Hotel and office project | Completed | Completed | 30,416 | 81,380 | – | – | 100% |
| Yuhua Salon (雨花客廳) C South | East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC | Office and commercial project | Completed | Completed | 42,639 | 133,832 | – | 70,677 | 100% |
| Yuhua Salon (雨花客廳) C North | East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC | Apartment and commercial project | Completed | Completed | 48,825 | 189,193 | – | 68,575 | 100% |
| Lianyungang Shunfeng Project (連雲港順豐項目)# | No. 8 Xinguang Road, Lianyungang District economics development zone, Nanjing, Jiangsu Province, the PRC | Commercial project | Completed | Completed | – | 7,571 | – | – | 100% |
| **Tianjin** | | | | | | | | | |
| Xiangti Villa (香醍名邸) Phase 2 | At the intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC | Residential project | Not yet commence construction | Second quarter of 2024 | 30,932 | – | – | – | 80% |
| Xiangti Villa (香醍名邸) Phase 3A | Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC | Residential project | Completed | Completed | 6,644 | 5,585 | – | – | 80% |
| Xiangti Villa (香醍名邸) Phase 3B | Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC | Residential project | Under construction | Second quarter of 2023 | 35,521 | – | 69,448 | – | 80% |
| Xiangti Villa (香醍名邸) Phase 4 | Intersection of Tuanbo Avenue and Daminghu Road, Tuanbo West District, Tuanbo New City, Jinghai County, Tianjin, the PRC | Residential project | Completed | Completed | 28,459 | 22,758 | – | 18,374 | 80% |
| | | | | | 257,042 | 519,606 | 69,448 | 217,926 | |

\# It represents the vacant shops acquired by the Group during the year ended 31 December 2020.

# Additional Information Required by the Listing Rules

## (b) Investment properties

As at 30 June 2021, the investment properties of the Group mainly included Wonder City* (虹悅城), certain units of Yuhua Salon* (雨花客廳), Liuhe Happy Plaza Project* (六合歡樂廣場項目), Nantong Youshan Meidi Garden Project* (南通優山美地花園項目), Huitong Building Project* (匯通大廈項目), Zhenjiang Youshan Meidi Garden Project* (鎮江優山美地花園項目) and Weihai Project* (威海項目).

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

# Additional Information Required by the Listing Rules

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

During the Period Under Review, the Group engaged in provision of technical design and consulting services, green management services and entrusted construction services in the PRC. During the Period Under Review, the revenue from both green building services and entrusted construction services was approximately RMB5,349,000 (six months ended 30 June 2020: RMB9,740,000).

## (2) Tourism business

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

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

The Sheraton project is located in Port Douglas, Queensland, Australia, a globally renowned tourist resort. The Sheraton project comprises the Sheraton Mirage Resort and the Golf Club and has a total of 295 guest rooms, 4 restaurants and bars, and an 18-hole golf course, with a total land lot site area of approximately 1,108,297 sq.m., and a total GFA of approximately 62,328 sq.m..

Since November 2020, the COVID-19 pandemic was well under control in Australia, which, coupled with the local government's restrictions on outbound tourism, has led to a significant increase in the number of local tourists to the Sheraton project. As 30 June 2021, the revenue of the Sheraton and Golf projects has steadily improved and gradually returned to its pre-COVID-19 level. All such revenue came from the local market in Australia.

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

During the Period Under Review, the revenue from tourism business was approximately RMB138,661,000 (six months ended 30 June 2020: RMB29,520,000).

# Additional Information Required by the Listing Rules

## (3) Investment and financial services business

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

### *(a) Listed equity investments held for trading*

The portfolio of listed equity investments of the Group held for trading as at 30 June 2021 and 31 December 2020 is set out as below:

**As at 30 June 2021**

| Stock code | Name | Number of shares held (Note 2) | Effective shareholding interest | Acquisition cost RMB'000 | Carrying amount RMB'000 | Unrealised holding gain/(loss) arising on revaluation for the period RMB'000 | Realised gain/(loss) arising from the disposal for the period RMB'000 | Dividend received/ receivable for the period RMB'000 |
|---|---|---|---|---|---|---|---|---|
| 153.HK (Note 1) | China Saite Group Company Limited | 190,120,000 | 6.29% | 88,646 | 16,444 | – | – | – |
| 2098.HK (Note 1) | Zall Smart Commerce Group Ltd ("**Zall Group**") (Note 3) | – | 0% | – | – | (59) | – | – |
| 1708.HK (Note 1) | Nanjing Sample Technology Company Limited | – | 0% | – | – | – | 985 | – |
| | | | | | 16,444 | (59) | 985 | – |

*Notes:*

1. All of the above companies are companies listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. All of the shares held by the Group are ordinary shares of the relevant company.

3. During the Period Under Review, the Company completed disposal of entire interest in a subsidiary holding shares of Zall Group, hence as at 30 June 2021, the Group did not hold any shares of Zall Group.

# Additional Information Required by the Listing Rules

As at 31 December 2020

| Stock code | Name | Number of shares held (Note 2) | Effective shareholding interest | Acquisition cost RMB'000 | Carrying amount RMB'000 | Unrealised holding gain/(loss) arising on revaluation for the year RMB'000 | Realised gain/(loss) arising from the disposal for the year RMB'000 | Dividend received/ receivable for the year RMB'000 |
|---|---|---|---|---|---|---|---|---|
| 153.HK (Note 1) | China Saite Group Company Limited | 190,120,000 | 6.29% | 88,646 | 16,661 | (9.233) | – | – |
| 1908.HK (Note 1) | C&D International Investment Group Limited | – | 0% | – | – | – | 31,234 | – |
| 2098.HK (Note 1) | Zall Group | 587,453,000 | 4.99% | 573,252 | 351,453 | (21,502) | 7,639 | – |
| 8307.HK (Note 1) | Medicskin Holdings Limited | – | 0% | – | – | – | (2,959) | – |
| 1708.HK (Note 1) | Nanjing Sample Technology Company Limited | 631,000 | 0.08% | 918 | 1,212 | 394 | 110 | – |
| | | | | | 369,326 | (30,341) | 36,024 | – |

*Notes:*

1. These companies are companies listed on the Stock Exchange.

2. All of the shares held by the Group are ordinary shares of the relevant company.

As at 30 June 2021, the Group did not hold any significant investment with a value greater than 5% of the Group's total assets.

# Additional Information Required by the Listing Rules

### *(b) Other investments*

During the Period Under Review, apart from the above listed equity investments, the Group continued to monitor the portfolio performance and adjust the investments portfolio when necessary. The diversified investment portfolio aims to implement the direction of expanding the sources of the Group's investment income and stabilizing its long term investment strategies.

### *(c) Investment and financial related consulting services*

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

During the Period Under Review, this segment recorded a loss of approximately RMB94,323,000 (six months ended 30 June 2020: RMB386,496,000). The loss was mainly derived from the impairment on certain financial assets. As at 30 June 2021, the total amount of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income held by the Group were approximately RMB1,342,692,000 and RMB5,416,060,000 (31 December 2020: RMB1,694,092,000 and RMB6,570,269,000) respectively.

## (4) Healthcare and education business and others

During the Period Under Review, the Group continued to identify appropriate investment opportunities to inject new impetus for the sustainable development of healthcare and education businesses. The revenue of healthcare and education segment was approximately RMB241,127,000 (six months ended 30 June 2020: RMB151,283,000).

# Additional Information Required by the Listing Rules

## (5) New Energy segment

### *(a) Wind gear transmission equipment*

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging on its strong research, design and development capabilities, the Group has a range of products including 1.5MW, 2MW, 3MW, 4MW, 5MW, 6MW, 7MW and 8MW wind power transmission equipment whose technology have reached an internationally advanced technical level and which have been provided to domestic and overseas customers in bulk and are well recognised by customers in general. With the product platform NGC StanGearTM and our core technology platform, we continue to upgrade our product design and computation analysis technology, process manufacturing technology, heat treatment and control technology and the processing technology of precise tooth profiles for the reserve of solid technology foundation for the manufacturing of equipment in MW. In light of market development trend, the Group is actively developing gear boxes in MW and introducing technologies of status monitoring, big data analysis and mobile terminal technology and strives to establish an integrated product and service system of intelligent gear boxes.

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

### *(b) Industrial gear transmission equipment*

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

# Additional Information Required by the Listing Rules

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

***(c) Rail transportation gear transmission equipment***

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

# Additional Information Required by the Listing Rules

### *(d) Trading business*

The trading business of the Group mainly focuses on bulk commodity and steel industry chain. The bulk commodity trading business mainly involves the procurement and wholesale of refined oil and electrolytic copper. During the Period under Review, the bulk commodity trading business accounted for approximately 70% in the trading business. The trading business in steel industry chain mainly involves the procurement and wholesale of coal and coke (the raw material of steel), and the procurement and wholesale of steel. During the Period under Review, the trading business in steel industry chain accounted for approximately 30% in the trading business. The Group's trading business in steel industry chain takes core resources of its trade system as a key point in expanding its system. At present, the Group has completed the preliminary resource integration of the steel industry from the upstream raw material to special steel, which promotes the development of the trading business.

## PROSPECT

In the second half of 2021, the Group will continue focusing on the development of its existing business sectors. Based on the idea of building up the industrial platform, the Group will operate and integrate resources on the resource end and platform end of self-support, equity participation and cooperation, so as to form an industrial platform with complete industrial hierarchy, business synergy and transaction logic. The Group will keep a close eye on high-quality health projects and real estate projects in the market including but not limited to commercial properties, residential properties and tourism properties, and make steady investments in a good timing to yield satisfactory investment return. The Group firmly believes that a diversified business portfolio will bring it sustained and stable revenue, whereas various businesses will also fully utilize the synergy effect, laying a solid foundation for the development of the Group.

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

# Additional Information Required by the Listing Rules

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group is convinced that good corporate risk management is of particular importance to its sustainable development, corporate reputation and shareholder value. The Group is committed to maintaining a high standard of management based on the principles of integrity, transparency, accountability and independence, as well as conducting irregular risk assessments and preventive measures for sustainable future development. The principal risks of the Group are summarized and managed as follows.

### Macro-economic environment

At present, the Group operates real estate and healthcare tourism business, and holds financial assets mainly for investment in China. Changes in the economic environment may lead to adverse risks in the business environment. In recent years, the Chinese government has continuously adjusted and implemented the policy of restricting the purchase and loan of real estate, adjusted the interest rate of real estate loans, tightened real estate credit, etc., which has standardized the asset management business in the financial market, but meanwhile inhibited the development of real estates for investment.

Management's response: In the 2021 Report on the Work of the Government, it has been clearly put forward that as a general indicator, China's GDP growth rate is expected to be higher than 6% for this year. The overall macroeconomy in China is on the up. The Group will continue paying attention to the policy direction in the fields of real estate and finance, improve asset management and take financing methods flexibly. It will adjust its investment portfolios according to the actual market conditions through clear risk management policies and sound investment strategies, so as to further enhance its profitability.

### Market competition

China's real estate market is seeing fierce competition, in the fields including but not limited to flow, service, quality, design, branding, cost control and environmental support. If competitors of the Group continue improving their products, it may have a negative impact on the overall profitability of the Group.

Management's response: Currently, the real estate projects of the Group are mainly commercial properties, while the adjustment in policies aims at residential properties. The Group will pay close attention to the policy information and the market landscape, and adjust the progress of development and sales to reduce the risk of competition. The Group expects to continuously improve the quality of its products and services, and effectively expand the market demand for its products and services at the current stage of industry integration, through accurate positioning and effective risk control.

# Additional Information Required by the Listing Rules

## Changes in exchange rate

At present, the Group mainly takes RMB as its operating currency. However, the Group's export sales and equipment import are mainly denominated in USD and Euro. In addition, the Group's overseas corporate assets and liabilities are mainly held in foreign currencies. Therefore, the Group's operating cash flows and asset prices are subject to changes in exchange rate.

Management's response: The Group will continue tracking changes in national monetary policies and the global economy, and pay close attention to hedging tools of exchange rate risks in the market. It will actively manage financial assets by formulating measures and strategies to manage foreign exchange risks, so as to reduce the impact of changes in exchange rate on the Group.

## Impact of global COVID-19 pandemic

In the first half of 2021, the epidemic caused by COVID-19 still plagued the whole world. Outbound travels remained subject to the quarantine policies of different countries and regions. Domestically, the recurrence of epidemic affected economic development and people's travel and consumption.

Management response: The Australian hotel business and education segment business have gradually recovered. The revenues of Australian hotel business and education segment for the Period Under Review were RMB111,174,000 and RMB241,127,000 respectively, representing an increase of approximately RMB82,475,000 and RMB89,844,000 as compared to that of the Corresponding Period of 2020, up by approximately 287% and 59% respectively. Despite the recurrent domestic outbreaks of the pandemic, business operation has generally returned to normal. Affected by another outbreak of the pandemic, traveling, dining and shopping have been limited to some extent in Nanjing since mid-July 2021. The Company's commercial operation projects and hotel projects in Nanjing were also impacted. As of the date of this report, the epidemic situation in Nanjing has gradually improved, and the Company believes it will resume normal operation soon. The Company will take strict epidemic prevention measures, prepare for possible risks and make contingency plans in advance. In the face of uncertainties and challenges in the business environment, the Group will continue to prudently manage operating costs and adhere to the established strategy of properly managing established brands, while prudently investing in appropriate new opportunities.

### *Hotel business*

Following the outbreak of coronavirus disease 2019 pandemic ("**COVID-19 pandemic**"), the Group's hotel business in Australia has been directly impacted by ongoing international and domestic travel restrictions. Continued restrictions regarding dining outlets and activities have occurred throughout the period pursuant to the prevention measures implemented by the Australian government.

The Australia State government's lockdown restrictions and border closures continuing in the year 2021 across the country, which have caused a significant change in segment demand. Currently the Group focused more on domestic leisure business which encountered sizeable reduction in contracts.

# Additional Information Required by the Listing Rules

During the year 2020 and onwards to 2021, the Group flexed manning in line with occupancy and demand across all departments. Staff were also encouraged to use annual and long service leave entitlements when business permitted. Save for benefiting from the local government's financial assistance, the Group has also reviewed its human resources and adjusted the allocation to mitigate the negative impact brought by the outbreak of COVID-19 pandemic.

In 2021 and onwards to 2022, the Australian government has implemented phased plan to loosen domestic restrictions and allow inter-state travel which will boost domestic tourism demand and hence is conducive for the Group's hotel operations in Australia. It is expected that the performance in the hotel business segment will be improved in year 2022 as compared to the year 2021.

The Management will constantly monitor and evaluate the potential implications of coronavirus, which may include ongoing closure of the Group's hotel and certain Country Club facilities and changes in customer demand in Australia. However, at this stage the financial impact of the coronavirus is not able to be estimated due to the general level of uncertainty.

***Education business***

The Group continued to proactively deal with the on-going impact of COVID-19 pandemic on the operations of its education businesses in Australia, Europe, the United Kingdom and China. The Group actively engaged with all stakeholders to keep them informed of the health and regulatory environment and their respective potential impact imposed on the delivery of the Group's education services. The Group has continued to manage its costs and expenses to ensure that profitability is maintained. The team has skillfully navigated the unprecedent COVID-19 pandemic and is now adept at dealing with fast moving and challenging situations. The Group has continued to uphold its responsibility to society as a well-regarded education service provider.

Following the global spread of COVID-19 pandemic, the Group immediately took steps to protect the interest of stakeholders of its education businesses in Australia, Europe, the United Kingdom and China, including customers, employees and shareholders. Although the outbreak of the unprecedented COVID-19 pandemic has imposed a negative impact on the operating environment, the Management has strived to take steps in response to the tough situation, including but not limited to: (i) through enhancement of cash preservation and reduction of fixed and variable costs, the Group was able to increase the liquidity to ensure that it had sufficient funds available to meet its obligations notwithstanding any reduction in revenue; and (ii) the Group has also proactively worked to operate within the new regulations and policies promulgated for the purpose of COVID-19 pandemic prevention, and adjusted its approach of delivery of education services (e.g. transfer from on-site service to on-line courses and web-based distance learning modules) to guarantee the interest of stakeholders. Despite the on-going restrictions to services due to the implementation of coronavirus controlling and prevention measures at times, the Group has accumulated experience in tackling such unfavorable situation, and will continue to monitor the changes amid the pandemic as well as shoulder the social responsibilities to combat the COVID-19 pandemic as an education service provider.

# Additional Information Required by the Listing Rules

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by approximately RMB5,367,885,000, or 93%, from approximately RMB5,783,484,000 for the Corresponding Period of 2020 to approximately RMB11,151,369,000 for the Period Under Review. The revenue and the changes for the Period Under Review and Corresponding Period of 2020 derived from different segments are listed as follows:

| Segment | Period Under Review | Corresponding Period of 2020 | Changes | |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | percentage |
| Properties | 162,164 | 124,364 | 37,800 | 30% |
| Tourism | 138,661 | 29,520 | 109,141 | 370% |
| Investment and financial services | 7,910 | 9,521 | (1,611) | (17)% |
| Healthcare and education and others | 241,127 | 151,283 | 89,844 | 59% |
| New Energy | 10,601,507 | 5,468,796 | 5,132,711 | 94% |
| Total Revenue | 11,151,369 | 5,783,484 | 5,367,885 | 93% |

The increment of the revenue of the Group was mainly derived from new energy segment which contributed the largest increment to the revenue of Group amounting to approximately RMB5,132,711,000. It was mainly due to the increase in market demands of wind gear transmission equipment and trading business in bulk commodity and steel industry chain which led to the increase in delivery.

The revenue from education segment increased by approximately RMB89,844,000. It is because during the Corresponding Period of 2020, the outbreak of COVID-19 pandemic caused Australia government to implement a short-term policy which set a cap on the fee charged by the early learning centre. In addition, the health concern and increasing unemployment rate brought an adverse impact on the demand for early learning centre services. With the effective control of the spread of COVID-19 pandemic by the Australian government, the demand for early learning centre services improved gradually which resulted in an increase in revenue during the Period Under Review.

# Additional Information Required by the Listing Rules

The revenue from tourism segment also increased by approximately RMB109,141,000. It is because during the Corresponding Period of 2020, the outbreak of COVID-19 pandemic led to the slump in the demands of travelers under the travel restrictions imposed by different countries. Though the travel restrictions were still tight, the effective control of the spread of COVID-19 in Australia and the accumulated desire for travelling promoted the demand for staycation locally. As a result, the revenue increased during the Period Under Review.

The revenue from properties segment increased slightly by approximately RMB37,800,000 which was mainly because more property units were delivered and more rental income was earned during the Period Under Review.

**Cost of sales and services**

The cost of sales and services of the Group increased by approximately RMB4,645,389,000, or 101%, from approximately RMB4,580,148,000 for the Corresponding Period of 2020 to approximately RMB9,225,537,000 for the Period Under Review. The cost and changes for the Period Under Review and Corresponding Period of 2020 derived from different segments are listed as below:

| Segment | Period Under Review | Corresponding Period of 2020 | Changes | |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | percentage |
| Properties | 125,690 | 94,115 | 31,575 | 34% |
| Tourism | 103,933 | 48,466 | 55,467 | 114% |
| Investment and financial services | 1,031 | 3,332 | (2,301) | (69)% |
| Healthcare, education and others | 191,690 | 122,793 | 68,897 | 56% |
| New energy | 8,803,193 | 4,311,442 | 4,491,751 | 104% |
| Total cost | 9,225,537 | 4,580,148 | 4,645,389 | 101% |

# Additional Information Required by the Listing Rules

## Gross profit and gross profit margin

The gross profit of the Group increased by approximately RMB722,496,000, or 60%, from approximately RMB1,203,336,000 in the Corresponding Period of 2020 to approximately RMB1,925,832,000 for the Period Under Review. The gross profit margin decreased from 21% in the Corresponding Period of 2020 to 17% for the Period Under Review. The gross profit of the Group was mainly derived from new energy segment. The gross profit and gross profit margin for the Period Under Review derived from new energy segment was approximately RMB1,798,314,000 and 17% respectively. The gross profit and gross profit margin in the Corresponding Period of 2020 derived from new energy segment were RMB1,157,354,000 and 21% respectively. The increase in gross profit of new energy segment was mainly due to the increase in the market demand of wind gear transmission equipment and products under the trading business while the decrease of gross profit margin was the result of increase in the proportion of trading business with lower gross profit margin.

## Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately RMB46,453,000, or 23%, from approximately RMB199,043,000 in the Corresponding Period of 2020 to approximately RMB245,496,000 for the Period Under Review. The selling and distribution expenses mainly comprised of product packaging expenses, transportation expenses and staff costs. The increase in selling and distribution expenses in the Period Under Review was mainly in line with the increase in revenue from new energy segment.

## Administrative expenses

Administrative expenses of the Group increased by approximately RMB322,771,000, or 72%, from approximately RMB449,314,000 in the Corresponding Period of 2020 to approximately RMB772,085,000 for the Period Under Review. The administrative expenses for the Period Under Review mainly included salaries and staff welfare, provision for penalty, depreciation and amortization of tangible and intangible assets. The significant increase in the administrative expenses during the Period Under Review was mainly due to the provision for penalty for late payment of a loan and failure to execute a forward purchase agreement on due date.

# Additional Information Required by the Listing Rules

## Research and development costs

Research and development costs of the Group increased by approximately RMB218,627,000, or 94%, from approximately RMB232,380,000 in the Corresponding Period of 2020 to approximately RMB451,007,000 for the Period Under Review. The increased in research and development costs was mainly due to increase in efforts put on research and development of new products in new energy segment.

## Net impairment losses on the financial assets and financial guarantee contracts

The net impairment loss on the financial assets and financial guarantee contracts of the Group in the Period Under Review decreased by approximately RMB284,755,000 or 56%, from approximately RMB512,665,000 for the Corresponding Period of 2020 to approximately RMB227,910,000 for the Period Under Review. A significant net impairment losses has been recognised in previous years due to the increment of the expected loss rate of loans and other receivables in view of delayed repayments and continuous worsening financial status of certain borrowers or debtors.

## Other income

Other income increased by approximately RMB140,331,000, or 84%, from approximately RMB166,187,000 in the Corresponding Period of 2020 to approximately RMB306,518,000 for the Period Under Review. Other income for the Period Under Review mainly included bank and other interest income of approximately RMB162,932,000 and dividend income of approximately RMB23,604,000. Other income in the Corresponding Period of 2020 mainly included bank and other interest income of approximately RMB68,354,000.

## Net fair value change in financial instruments

The Group maintains its investment segment through possessing and investing in various investment and financial products for potential or strategic use purposes. The Group recorded a loss on change in fair value of financial instruments of approximately RMB513,976,000 for the Period Under Review as compared to the gain on change in fair value of approximately RMB11,132,000 in the Corresponding Period of 2020. The fair value change during the Period Under Review was mainly derived from derivative financial instruments in respect of a forward contract to acquire an entity, principal activity of which is engaged in tourism business. In adjusting the investment portfolio, most of the listed equity recorded as fair value through profit or loss has been disposed of. Accordingly, the fair value change impact derived from listed equity is relatively moderate for the Group.

# Additional Information Required by the Listing Rules

## Finance costs

Finance costs of the Group decreased by approximately RMB52,950,000, or 15%, from approximately RMB344,363,000 in the Corresponding Period of 2020 to approximately RMB291,413,000 for the Period Under Review, which was mainly due to the lower average borrowing amount of the Group for the Period Under Review than in the Corresponding Period of 2020.

## Share of result of joint ventures

The Group's share of profit from its joint ventures amounted to approximately RMB17,119,000 for the Period Under Review as compared with share of loss of approximately RMB5,133,000 in the Corresponding Period of 2020. It is mainly due to better performance of investees being recorded during the Period Under Review.

## Income tax expense/credit

For the Period Under Review, the current tax expense and the deferred tax credit of the Group amounted to approximately RMB196,585,000 and RMB32,592,000 respectively, and in the Corresponding Period of 2020, the current tax expense and the deferred tax credit amounted to approximately RMB73,450,000 and RMB118,318,000 respectively.

The increase in current tax during the Period Under Review was mainly in line with more profits generated by new energy segment.

The deferred tax credit for the Period Under Review and Corresponding Period of 2020 was mainly derived from the net impairment losses on financial assets and tax losses recognised.

## Loss for the Period Under Review

For the Period Under Review, the Group recorded a loss after tax of approximately RMB365,808,000 while in the Corresponding Period of 2020, the Group recorded a loss after tax of approximately RMB587,185,000. The operating performance for Period Under Review improved which was mainly due to the significant increase in operating profits from new energy segment. However, the positive impact brought by new energy segment was offset by impairment losses on financial assets recognised and provision for penalty and fair value loss of derivative financial instrument.

# Additional Information Required by the Listing Rules

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the Period Under Review, the Group financed its operations and investments mainly by internally generated funds and debt financing.

### Cash position

As at 30 June 2021, the Group had cash and cash equivalents (excluding the restricted cash) of approximately RMB3,257,595,000 (31 December 2020: RMB2,490,570,000), representing an increase by approximately RMB767,025,000 or 31% as compared to 31 December 2020. The Group's cash and cash equivalents remain stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

### Bank and other borrowings

The debt profile of the Group as at 30 June 2021 and 31 December 2020 was analysed as follows:

| | **As at 30 June 2021 RMB'000** | As at 31 December 2020 RMB'000 |
|---|---|---|
| **Bank and other borrowings repayable:** | | |
| Within one year or on demand | **5,815,011** | 5,019,531 |
| Between one and two years | **1,421,355** | 700,166 |
| Between two to five years | **547,058** | 1,319,302 |
| Over five years | **157,684** | 178,133 |
| Total debts | **7,941,108** | 7,217,132 |

As at 30 June 2021, the total debt of the Group increased by approximately RMB723,976,000 or 10%, as compared with 31 December 2020.

### Leverage

The gearing ratio of the Group as at 30 June 2021, calculated as a ratio of the sum of bank and other borrowings to total assets, was approximately 17% (31 December 2020: 17%). The net equity of the Group as at 30 June 2021 was approximately RMB20,058,201,000 (31 December 2020: approximately RMB20,796,980,000).

# Additional Information Required by the Listing Rules

As at 30 June 2021, the Group recorded total current assets of approximately RMB23,779,025,000 (31 December 2020: RMB22,016,575,000) and total current liabilities of approximately RMB21,634,482,000 (31 December 2020: RMB18,422,573,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.1 as at 30 June 2021 (31 December 2020: 1.2).

## FOREIGN EXCHANGE EXPOSURE

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

## TREASURY POLICIES

As at 30 June 2021, bank and other borrowings of approximately RMB6,648,840,000, RMB998,823,000, RMB29,723,000 and RMB263,722,000 were denominated in RMB, US dollars, Hong Kong dollars and Australia dollars respectively (31 December 2020: RMB5,853,810,000, RMB888,499,000, RMB202,330,000 and RMB272,493,000). The debts in various currencies were mainly made to finance the operation of the Group's entities in different jurisdictions.

Bank and other borrowings of approximately RMB5,372,161,000 (31 December 2020: RMB5,649,084,000) were at fixed interest rates, the remaining balances were either at variable rates or non-interest bearing. Cash and cash equivalents held by the Group were mainly denominated in RMB, Hong Kong and Australia dollars. The Group currently does not have foreign exchange and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

## PLEDGE OF ASSETS

Details of the Group's pledged assets as at 30 June 2021 are set out in note 27 to the interim condensed consolidated financial statements in this report.

## OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the Period Under Review, are set out in note 5 to the interim condensed consolidated financial statements in this report.

# Additional Information Required by the Listing Rules

## CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 30 June 2021 are set out in note 26 to the interim condensed consolidated financial statements in this report.

## CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 June 2021 are set out in note 25 to the interim condensed consolidated financial statements in this report.

## SUBSEQUENT EVENTS

Details of the subsequent events of the Group after 30 June 2021 are set out in note 29 to the interim condensed consolidated financial statements in this report.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

To expand the scale of operations and improve the quality of the assets of the Group, the Group conducted the following material disposal during the Period Under Review:

Nanjing Gear Enterprise Management Co., Ltd.* (南京高齒企業管理有限公司) (as vendor, an indirect wholly-owned subsidiary of CHS, which in turn is the indirect non-wholly owned subsidiary of the Company) (the "**Vendor**") and Nanjing High Speed Gear Manufacturing Co., Ltd.* (南京高速齒輪製造有限公司) ("**Nanjing High Speed**", a direct non-wholly owned subsidiary of the Vendor) (as target company) (i) entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Shanghai Wensheng Asset Management Co., Ltd. (上海文盛資產管理股份有限公司) (the "**Purchaser**") on 30 March 2021, and (ii) entered into a supplemental agreement to the Equity Transfer Agreement with the Purchaser and Nanjing High Speed and Shanghai Qiwo Enterprise Management Partnership (Limited Partnership)* (上海其沃企業管理合夥企業(有限合夥)) on 15 July 2021, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 43% equity interest in Nanjing High Speed at a consideration of RMB4,300,000,000 (the "**Disposal**").

As at the date of this report, the Disposal is yet to be completed pursuant to the Equity Transfer Agreement and its supplemental agreement. Upon completion of the Disposal, Nanjing High Speed will continue to be an indirect non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with financial results of the Group.

Details of the Disposal were set out in the joint announcements made by the Company and CHS dated 30 March 2021, 30 April 2021, 21 May 2021 and 15 July 2021, the circular of the Company dated 26 May 2021 and the circular of CHS dated 26 May 2021, respectively.

During the Period Under Review, save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or joint ventures.

# Additional Information Required by the Listing Rules

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period Under Review.

## SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company which has been approved by the shareholders of the Company (the "**Shareholders**") at the Company's extraordinary general meeting held on 17 August 2018. The purpose of the Share Option Scheme is to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents. Under the Share Option Scheme, the board (the "**Board**") of directors (the "**Directors**") of the Company shall be entitled to offer to grant share options to any eligible participant. Details of the Share Option Scheme were set out in the announcements of the Company dated 7 July 2018, 17 August 2018 and 14 December 2018 and the circular of the Company dated 30 July 2018 respectively.

The following table sets out the movements in the share options during the Period Under Review:

| | | No. of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Share option holders | Date of grant | Outstanding as at 2021/01/01 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | Outstanding as at 2021/06/30 | Vesting period | Exercise price HK$ | Exercise period |
| **Director** | | | | | | | | | | |
| Ms. Du Wei | 2018/12/14 | 2,008,920 | – | – | – | – | 2,008,920 | 2020/12/14 – 2023/12/13 [2] | 2.56 | 2021/12/13 – 2028/12/13 |
| Other employees | 2018/12/14 | 29,866,140 | – | – | – | (3,214,320) | 26,651,820 | 2020/12/14 – 2023/12/13 [2] | 2.56 | 2021/12/13 – 2028/12/13 |
| **Total** | | **31,875,060** | **-** | **-** | **-** | **(3,214,320)** [1] | **28,660,740** | | | |

Notes:

(1) A total of 3,214,320 share options lapsed according to the terms of the Share Option Scheme during the Period Under Review.

(2) Assuming all the conditions for exercise of the share options granted on 14 December 2018 are fulfilled in accordance with the Share Option Scheme, the relevant share options shall be vested in five tranches within a period of 5 years, with each tranche covering one-fifth (20%) of the relevant share options. The first 20% and the second 20% of the share options granted on 14 December 2018 can be exercised on 13 December 2019 and 13 December 2020 respectively. Due to failure of fulfillment of certain exercise conditions, the first tranche and second tranche share options were cancelled by the Company according to the terms of the Share Option Scheme on 13 December 2019 and 13 December 2020 respectively. In respect of the outstanding share options, each 20% of the total share options will become exercisable from 13 December in the years 2021, 2022 and 2023 respectively subject to satisfaction of exercise conditions set out in the Share Option Scheme.

# Additional Information Required by the Listing Rules

## SHARE AWARD SCHEME

A share award scheme (the "**Share Award Scheme**") was adopted by the Board on 7 July 2018 to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents. Under the Share Award Scheme, the Board shall be entitled to offer to grant award shares to any eligible participant. Details of the Share Award Scheme were set out in the announcements of the Company dated 7 July 2018 and 14 December 2018 respectively.

Since the date of adoption and up to 30 June 2021, a total of 17,521,400 award shares have been purchased by the trustee under the Share Award Scheme (the "**Purchased Award Shares**"), and all the award shares were awarded to the selected participants. Among the 17,521,400 award shares, 221,200 award shares lapsed during the year 2018 while the remaining 17,300,200 award shares lapsed during the year 2019 according to the terms of the Share Award Scheme. During the Period Under Review, the Company did not instruct the trustee to purchase any share of the Company (the "**Shares**") for future award purpose or grant any award shares to any eligible participants pursuant to the terms and conditions of the Share Award Scheme. The Company intends to hold the 17,521,400 Purchased Award Shares on trust and utilise for future award purpose pursuant to the terms and conditions of the Share Award Scheme.

## EMPLOYEES

As at 30 June 2021, the Group had 8,409 employees (31 December 2020: 8,311 employees). The Group's total staff costs (including executive directors' remuneration) amounted to approximately RMB1,046,870,000 for the Period Under Review (for the six months ended 30 June 2020: approximately RMB841,779,000). Employees' remunerations are determined according to the Group's operating results, job requirements, market salary level and ability of individuals. The Group regularly reviews its remuneration policy and additional benefit programs and makes necessary adjustments to bring them in line with the industry level. In addition to basic salaries, the Group has established revenue sharing programs and performance appraisal plans to provide rewards according to the Group's results and employees' individual performance. The Group has also adopted a share option scheme and a share award scheme to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents, details of which are set out in the sections headed "Share Option Scheme" and "Share Award Scheme" in this report.

# Additional Information Required by the Listing Rules

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

### (i) Long positions in the Shares or underlying Shares

| Name of Director | Nature of interests | Number of issued Shares held/underlying Shares held under equity derivatives | Approximate percentage of the total issued share capital of the Company[3] |
|---|---|---|---|
| Mr. Ji Changqun ("**Mr. Ji**") | Beneficial owner and interest in controlled corporation[1] | 8,534,292,954[1] | 43.31% |
| Ms. Du Wei | Beneficial owner | 2,008,920[2] | 0.01% |

Notes:

(1) As at 30 June 2021, 909,510,000 Shares are held by Mr. Ji directly as the beneficial owner. In addition, by virtue of the SFO, Mr. Ji is deemed to be interested in 7,624,782,954 Shares held by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands (the "**BVI**") which is wholly-owned by Mr. Ji. Accordingly, Mr. Ji is interested in 8,534,292,954 Shares in total.

(2) These interests represented 2,008,920 share options granted to Ms. Du Wei which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" of this report.

(3) The percentage has been calculated based on 19,705,391,731 Shares in issue as at 30 June 2021.

# Additional Information Required by the Listing Rules

## (ii) Long positions in the shares of the Company's associated corporations

### *Magnolia Wealth*

The table below sets out the interest of the Director(s) or chief executive(s) of the Company in the ordinary share(s) of Magnolia Wealth, a controlling shareholder of the Company as at 30 June 2021:

| Name of Director | Nature of interests | Number of issued ordinary share(s) held | Approximate percentage of the total issued share capital of Magnolia Wealth |
|---|---|---|---|
| Mr. Ji | Beneficial owner | 1 | 100% |

### *CHS*

The table below sets out the interest of the Director(s) or chief executive(s) of the Company in the ordinary share(s) of CHS (Stock Code: 658), which was owned as to approximately 73.91% by the Company and was an indirect non-wholly owned subsidiary of the Company as at 30 June 2021:

| Name of Director | Nature of interests | Number of issued ordinary shares held | Approximate percentage of the total issued share capital of CHS |
|---|---|---|---|
| Mr. Ji | Interest in controlled corporation[(1)] | 1,226,467,693[(1)] | 74.99%[(2)] |

Notes:

(1) 1,226,467,693 ordinary shares of CHS comprise the following:

(i) 17,890,000 shares are directly held by Glorious Time Holdings Limited ("**Glorious Time**"), a company incorporated in the BVI which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 17,890,000 shares held by Glorious Time.

(ii) 1,208,577,693 shares are directly held by Five Seasons XVI Limited ("**Five Seasons XVI**"), which is incorporated in the BVI and a wholly-owned subsidiary of the Company, which in turn is owned as to approximately 38.69% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 1,208,577,693 shares held by Five Seasons XVI.

(2) This percentage has been calculated based on 1,635,291,556 shares of CHS in issue as at 30 June 2021.

# Additional Information Required by the Listing Rules

***Hin Sang Group (International) Holding Co. Ltd. ("Hin Sang Group")***

The table below sets out the interest of the Directors or chief executives of the Company in the ordinary share(s) of Hin Sang Group (Stock Code: 6893), which was owned as to approximately 22.90% by the Company and was an associated corporation of the Company as at 30 June 2021:

| Name of Director | Nature of interests | Number of issued ordinary shares held | Approximate percentage of the total issued share capital of Hin Sang Group |
|---|---|---|---|
| Mr. Ji | Interest in controlled corporation[(1)] | 250,000,000[(1)] | 22.90%[(2)] |

Notes:

(1) 250,000,000 ordinary shares of Hin Sang Group are directly held by Viewforth Limited ("**Viewforth**"), which is incorporated in the BVI and a wholly-owned subsidiary of the Company, which in turn is owned as to approximately 38.69% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which is wholly-owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in 250,000,000 shares held by Viewforth.

(2) This percentage has been calculated based on 1,091,796,000 shares of Hin Sang Group in issue as at 30 June 2021.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2021.

# Additional Information Required by the Listing Rules

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executives of the Company, as at 30 June 2021, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholder | Nature of interests | Number of issued Shares held[6] | | Approximate percentage of the total issued share capital of the Company[7] |
|---|---|---|---|---|
| Magnolia Wealth | Beneficial owner [1] | 7,624,782,954 | (L) | 38.69% |
| Superb Colour Limited ("**Superb Colour**") | Beneficial owner [2] | 967,178,496<br>982,442,195 | (L)<br>(S) | 4.91%<br>4.99% |
| | Interest of controlled corporation [2] | 715,263,699 | (L) | 3.63% |
| Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) ("**Huarong Huaqiao**") | Interest of controlled corporation [2] | 1,682,442,195<br>982,442,195 | (L)<br>(S) | 8.54%<br>4.99% |
| China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ("**China Huarong Asset**") | Interest of controlled corporation [2] | 1,682,442,195<br>982,442,195 | (L)<br>(S) | 8.54%<br>4.99% |
| China Citic Bank Corporation Limited (中信銀行股份有限公司) | Person having a security interest in shares [3] | 4,902,000,000 | (L) | 24.88% |
| China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) | Person having a security interest in shares [4] | 1,520,000,000 | (L) | 7.71% |
| World Investments Limited ("**World Investments**") | Agent [5] | 1,175,222,500 | (L) | 5.96% |

# Additional Information Required by the Listing Rules

| Name of Shareholder | Nature of interests | Number of issued Shares held[(6)] | Approximate percentage of the total issued share capital of the Company[(7)] |
|---|---|---|---|
| Goldway Financial Corp. ("**Goldway**") | Interest of controlled corporation [(5)] | 1,175,222,500 (L) | 5.96% |
| Bank of China Group Investment Limited (中銀集團投資有限公司) ("**BOC Group Investment**") | Interest of controlled corporation [(5)] | 1,175,222,500 (L) | 5.96% |
| Bank of China Limited (中國銀行股份有限公司) ("**BOC**") | Beneficial owner [(5)] | 1,175,222,500 (L) | 5.96% |
| Central Huijin Investment Ltd. (中央匯金投資有限責任公司) ("**Central Huijin**") | Interest of controlled corporation [(5)] | 1,175,222,500 (L) | 5.96% |

Notes:

1. The entire issued share capital of Magnolia Wealth is beneficially owned by Mr. Ji.

2. References were made to the disclosures of interests made by Huarong Huaqiao and China Huarong Asset on the Stock Exchange's website on 5 March 2020 respectively. Superb Colour has long position in 1,682,442,195 Shares (directly interested in 967,178,496 Shares and indirectly interested in 715,263,699 Shares through a 100% controlled corporation, namely Shanghai Asset Management LP) and short position in 982,442,195 Shares.

   Superb Colour is a company incorporated in the BVI which is a wholly-owned subsidiary of Pure Virtue Enterprises Limited ("**Pure Virtue**"). Pure Virtue is a company incorporated in the BVI which is wholly-owned by China Huarong Overseas Investment Holdings Co., Limited ("**China Huarong Overseas**"). China Huarong Overseas is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Huarong Huaqiao. Therefore, Huarong Huaqiao is deemed to be interested in the said Shares held by Superb Colour under the SFO.

   Huarong Huaqiao is a company incorporated in the PRC and is beneficially owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd. ("**Huarong Zhiyuan**"). Huarong Zhiyuan is wholly-owned by China Huarong Asset. As such, China Huarong Asset is deemed to be interested in the said Shares held by Superb Colour under the SFO.

3. China Citic Bank Corporation Limited (中信銀行股份有限公司) held 4,902,000,000 Shares as holder of security interest.

# Additional Information Required by the Listing Rules

4. China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) held 1,520,000,000 Shares as holder of security interest.

5. References were made to disclosures of interests made by World Investments, Goldway, BOC Group Investment, BOC and Central Huijin respectively on the Stock Exchange's website on 2 January 2020. BOC has long position in 1,175,222,500 Shares. BOC, a company incorporated in China, is beneficially owned as to 64.02% by Central Huijin. Therefore, Central Huijin is deemed to be interested in the said 1,175,222,500 Shares under the SFO.

   World Investments, in the capacity of an agent acting on behalf of BOC, is deemed to be interested in 1,175,222,500 Shares held by BOC under the SFO. World Investments is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Goldway. Goldway is a company incorporated in the BVI which is wholly-owned by BOC Group Investment. As such, each of Goldway and BOC Group Investment is also deemed to be interested in the said 1,175,222,500 Shares under the SFO.

6. The letter "L" denotes long position in the Shares; and the letter "S" denotes short position in the Shares.

7. The percentage has been calculated based on 19,705,391,731 Shares in issue as at 30 June 2021.

Save as disclosed above, the Company has not been notified of any other person (other than Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2021.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 24 November 2020, the Company through its wholly owned subsidiary completed the acquisition of 80% equity interest in Tianjin Heheng Investment Development Co., Ltd.* (天津合恒投資發展有限公司) ("**Tianjin Heheng**") (the "**Acquisition**"). Upon completion of the Acquisition, Tianjin Heheng has become a subsidiary of the Company.

A loan was provided by an asset management company (the "**Lender**") to Tianjin Heheng in an aggregate principal amount of RMB573,300,000 for project development and construction and as general working capital (the "**Loan**"). Upon completion of the Acquisition, the Loan became a Loan extended to the Group. The Loan is secured by a pledge of 1,520,000,000 ordinary shares of HK$0.01 each in the issued share capital of the Company (the "**Pledged Shares**") created by Magnolia Wealth which is the controlling shareholder (as defined under the Listing Rules) of the Company, in favour of the Lender. As at the date of this report, (i) Magnolia Wealth held 7,624,782,954 shares of the Company, representing approximately 38.69% of the issued share capital of the Company; and (ii) the Pledged Shares represent approximately 7.71% of the issued share capital of the Company.

# Additional Information Required by the Listing Rules

## COMPETING BUSINESS

As disclosed in the circular of the Company dated 28 October 2013 relating to, amongst other things, the very substantial acquisition in relation to the acquisition of 南京豐盛資產管理有限公司 (Nanjing Fullshare Asset Management Limited*), a limited liability company incorporated in the PRC on 19 July 2002, which is currently wholly owned by the Company and reverse takeover involving a new listing application (the "**RTO Circular**"), pursuant to the non-competition undertaking dated 25 October 2013 entered into between the Controlling Shareholders (as defined in the RTO Circular) and the Company (the "**Non-Competition Undertaking**"), save for continuing their engagements in the Excluded Projects (as defined in the RTO Circular) and certain exceptions relating to their holding of and/or being interested in shares and other securities in any member of the Group and any other company listed on a recognised stock exchange engaging in the restricted business (please refer to the RTO Circular for details) set out in the Non-Competition Undertaking, the Controlling Shareholders will not be allowed to engage in any residential property (including villas) and mixed-use property (as defined in the section headed "Glossary of Technical Terms" of the RTO Circular) development business in the PRC (the "**Restricted Business**"), and they will only be involved in the commercial property development business. As at 30 June 2021, the Controlling Shareholders and any of their respective associates (other than the members of the Group) did not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with the Restricted Business. Save for the Non-Competition Undertaking, as at 30 June 2021, the Controlling Shareholders did not give any other non-competition undertaking to the Company.

The Company has received the written declarations on their compliance with the undertaking under the Non-Competition Undertaking from Mr. Ji and Magnolia Wealth for the Period Under Review. Based on the declarations received from Mr. Ji and Magnolia Wealth and after review, the independent non-executive Directors considered that Mr. Ji and Magnolia Wealth had complied with the terms set out in the Non-Competition Undertaking for the Period Under Review.

Save as disclosed above, as at 30 June 2021, none of the Directors had an interest in the business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

# Additional Information Required by the Listing Rules

## CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Period Under Review except for the following deviation:

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

## AUDIT COMMITTEE REVIEW

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee currently comprises three independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal financial control system of the Group, and to review the Group's interim and annual reports and financial statements. The unaudited interim condensed consolidated financial statements for the Period Under Review have been reviewed by the Audit Committee.

# Additional Information Required by the Listing Rules

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding the securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Period Under Review.

By Order of the Board
**Fullshare Holdings Limited**
**JI CHANGQUN**
*Chairman*

Hong Kong, 31 August 2021

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

* *For identification purpose only*