豐盛
FULLSHARE

Fullshare Holdings Limited
豐盛控股有限公司

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

Annual Report 2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen (appointed on 23 October 2019)
Mr. Wang Bo (resigned on 23 October 2019)

Independent Non-executive Directors
Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point, Hong Kong

COMPANY SECRETARY

Ms. Seto Ying

AUTHORISED REPRESENTATIVES

Mr. Shen Chen (appointed on 23 October 2019)
Ms. Seto Ying
Mr. Wang Bo (up to 23 October 2019)

AUDIT COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

REMUNERATION COMMITTEE

Mr. Lau Chi Keung *(Chairman)*
Ms. Du Wei (appointed on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Ji Changqun (resigned on 23 October 2019)

NOMINATION COMMITTEE

Mr. Ji Changqun *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

RISK MANAGEMENT COMMITTEE

Mr. Shen Chen *(Chairman)*
(appointed on 23 October 2019)
Ms. Du Wei (re-designated on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Wang Bo (resigned on 23 October 2019)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Du Wei *(Chairman)*
(re-designated on 23 October 2019)
Mr. Shen Chen (appointed on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Wang Bo (resigned on 23 October 2019)

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Jiangsu Co., Ltd
Nanjing Bank Co., Ltd
Bank of China Travel Service Co., Ltd Jiaozuo

LEGAL ADVISER

LC Lawyers LLP

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2805, Level 28
Admiralty Centre Tower 1
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor, 24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.fullshare.com

STOCK CODE

00607

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ji Changqun ("Mr. Ji"), aged 51, was appointed as an executive director of Fullshare Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), chief executive officer and the chairman of the board (the "**Board**") of directors (the "**Director(s)**") of the Company on 12 December 2013. He is the chairman of nomination committee (the "**Nomination Committee**") of the Company. Mr. Ji is responsible for the Group's strategic control and organization development. Mr. Ji has over eleven years of management experience in the real estate industry in the People's Republic of China ("**PRC**"). He was a director of certain subsidiaries of the Company. Mr. Ji studied the courses for postgraduates majoring in management science and engineering in Southeast University from September 2003 to September 2005. Mr. Ji obtained a master's degree majoring in business administration issued by Macau University of Science and Technology in June 2006. Mr. Ji is a PRC senior engineer and senior economist. Mr. Ji holds a lot of social positions, including the chairman of Australia Nanjing General Chamber of Commerce（澳大利亞南京總商會）, the chairman of Anhui Chamber of Commerce of Jiangsu Province（江蘇省安徽商會）, the honorary chairman of the board of Nanjing University of Chinese Medicine, the dean of Fullshare Health College（豐盛健康學院）of Nanjing University of Chinese Medicine, the director of the board of Wuhan University, the honorary chairman of the Institute of Chinese Medicine and Natural Medicine of School of Pharmaceutical Sciences of Wuhan University, the honorary chairman of Singapore Chinese Medicine College, etc.

Ms. Du Wei ("Ms. Du"), aged 39, was appointed as an executive Director on 7 July 2018. She is the chairman of environmental, social and governance committee (the "**ESG Committee**") and a member of remuneration committee (the "**Remuneration Committee**") and risk management committee (the "**Risk Management Committee**") of the Company. Ms. Du is responsible for the Group's human resources strategic planning, organizational system construction, corporate culture construction, remuneration and incentives, performance management, execution evaluation and development, management and operation of the Group's Hong Kong office and hosting general meetings and board meetings of the Company. Ms. Du obtained a Bachelor of Tourism Management degree and a Master of Business Administration degree from Nanjing Normal University, China, in 2002 and 2014, respectively. Ms. Du has more than 17 years' experience in human resources and administration management. From 2012 to August 2016, Ms. Du worked as the officer of chairman's office and human resources director of Fullshare Group Limited. Since 1 September 2016, she has been and is currently an officer of the human resources management committee of the Company. Since 1 April 2018, Ms. Du has been appointed as the general manager of Fullshare Holdings (Singapore) Service Management Pte Ltd, a wholly-owned subsidiary of the Company. Ms. Du is also a director of certain subsidiaries of the Company. From 2008 to 2012, Ms. Du also worked in certain subsidiaries of Fullshare Group Limited as human resources and administration manager.

Biographical Details of Directors and Senior Management

Mr. Shen Chen ("Mr. Shen"), aged 48, was appointed as an executive Director on 23 October 2019. He is the chairman of the Risk Management Committee and a member of the ESG Committee. He joined the Group in November 2018 and was appointed as the financial controller of the Company in June 2019. Mr. Shen is responsible for the capital, financing, fund, financial reporting and financial management of the Group and participates in investment decisions. He obtained a diploma in accounting from Nanjing Economic College (currently known as Nanjing University of Finance and Economics) in 1994 and obtained a bachelor degree in economic management from Correspondence Institute of the Party School of the Central Committee of the Communist Party of China*（中共中央黨校函授學院）in 2000. Mr. Shen has professional qualification of senior accountant. He was the financial controller of Nanjing JoyMain Science and Technology Development Co., Ltd.*（南京中脈科技發展有限公司）from August 1994 to July 2011. He was the vice president of Jiangsu Ruiheng Asset Management Co., Ltd.*（江蘇瑞恒資產管理有限公司）from July 2011 to April 2012. He was the financial controller of Nanjing Jiangong Industrial Group Co., Ltd.*（南京建工產業集團有限公司, formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd.* （南京豐盛產業控股集團有限公司））("**Nanjing Jiangong Industrial**") and Fullshare Technology Group Limited*（豐盛科技集團有限公司）from April 2012 to May 2013. He was the financial controller of Fullshare Green Building Group Company Limited*（豐盛綠建集團有限公司）and Nanjing Fullshare Energy Science & Technology Company Limited*（南京豐盛新能源科技股份有限公司）from May 2013 to November 2018. Mr. Shen was a director of a wholly-owned subsidiary of the Company.

Independent Non-executive Directors

Mr. Lau Chi Keung ("Mr. Lau"), aged 71, was appointed as an independent non-executive Director on 12 December 2013. He is the chairman of Remuneration Committee and a member of Nomination Committee and audit committee (the "**Audit Committee**") of the Company. Mr. Lau has over 45 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was admitted fellow member of each of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors respectively in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Since September 2016, Mr. Lau has been appointed as an independent non-executive director of Applied Development Holdings Limited ("**ADHL**") (stock code: 519), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner of the University of Hong Kong – B.Sc. (Hons) Degree in Surveying from 1998 to 2001 and the Hong Kong Polytechnic University – B.Sc. (Hons) programme in Building Surveying from 2005 to 2007 respectively. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005.

Biographical Details of Directors and Senior Management

Mr. Chow Siu Lui ("Mr. Chow"), aged 59, was appointed as an independent non-executive Director on 12 December 2013. He is the chairman of Audit Committee. Mr. Chow has a wealth of experience in fund raising and initial public offering (the "**IPO**") activities in Hong Kong and accounting & financial areas. Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for providing advice in pre-IPO group structuring and fund raising in local and overseas stock exchanges. He is currently a partner of VMS Investment Group (HK) Limited, who is a core member of the investment committee and responsible for private equities investment, including due diligence of all investment projects. Mr. Chow was previously chairman of the investment strategy task force of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. Chow is now an independent non-executive director of Genertec Universal Medical Group Company Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 2666)), China Everbright Greentech Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 1257)), Futong Technology Development Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 465)), Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), China Tobacco International (HK) Company Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6055)), and Global Cord Blood Corporation (whose shares are listed on the New York Stock Exchange (NYSE stock code: CO)) and a non-executive director of Renrui Human Resources Technology Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6919)), respectively. He acted as an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6833)) from September 2015 to November 2018. Mr. Chow was awarded a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1983. By profession, he became a fellow of the Association of Chartered Certified Accountants in July 1991, The Chartered Governance Institute ("**CGI**") and HKICS both in October 2009, and the HKICPA in December 1993.

Mr. Tsang Sai Chung ("Mr. Tsang"), aged 56, was appointed as an independent non-executive Director on 12 December 2013. He is a member of Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and ESG Committee. Mr. Tsang obtained a bachelor's degree of arts from the University of Hong Kong and then later on completed the Postgraduate Certificate in Laws programme there. Mr. Tsang undertook his trainee programme and worked as an associate of Baker & McKenzie. He then moved to in house with various companies and worked as an executive director, general counsel and company secretary of HKC (Holdings) Limited (stock code: 190). Mr. Tsang was the general counsel and company secretary of Sa Sa International Holdings Limited (stock code: 178) and Pacific Century Premium Developments Limited (stock code: 432) respectively. HKC (Holdings) Limited, Sa Sa International Holdings Limited and Pacific Century Premium Developments Limited are companies listed on the main board of the Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Shi Zhiqiang ("Mr. Shi"), aged 44, is the vice president of the Company. Mr. Shi is responsible for assisting the chief executive officer of the Company in charge of the investment return management, functional management and organizational development of the Company. Mr. Shi obtained a diploma majoring in financial accounting issued by the Township Enterprise Management Institution organised by the Department of Agriculture of the PRC, and completed the executive administration programme organised by Southeast University in 2015. Mr. Shi is a PRC accountant and an international certified internal auditor. Mr. Shi worked as the financial controller of Jiangsu Zhongda Communication Industry Co., Limited*（江蘇中大通信實業有限公司）from December 2004 to July 2005. Mr. Shi worked as the deputy manager of financial management department, audit manager, audit director and chief financial officer of Nanjing Jiangong Industrial from July 2005 to March 2011. Mr. Shi worked as a director of Nanjing Jiangong Industrial from June 2011 to April 2013 and the assistant to the chairman of Nanjing Jiangong Industrial from March 2011 to January 2013. Mr. Shi is also a director of certain subsidiaries of the Company. Mr. Shi was an executive Director of the Company from November 2013 to July 2018.

Mr. Wang Bo ("Mr. Wang"), aged 39, is the vice president of the Company. Mr. Wang is responsible for investment, operation and management of education segment of the Group, and other designated projects. Mr. Wang obtained a bachelor of laws degree from Nanjing University of Finance & Economics in 2001, a master of laws degree from Nanjing University in 2004 and a Juris Doctor degree from Duke University, the United States of America ("**USA**") in 2007. He also obtained Legal Profession Qualification of PRC in 2002. Mr. Wang worked as an associate and a senior associate of King & Wood Mallesons from 2007 to 2010 and a manager of Legal Department of DBS Bank (China) Limited Shanghai Branch from 2010 to 2011. From March 2011 to September 2014, Mr. Wang worked as the general manager of Fullshare Group Limited and the director and the managing director of Fullshare International Group Limited. Since March 2011, Mr. Wang has been and is currently a director of Fullshare Group Limited. Mr. Wang is also a director of certain subsidiaries of the Company. Mr. Wang was an executive Director of the Company from September 2014 to October 2019. Mr. Wang was the chairman and a non-executive director of ADHL (stock code: 519), a company listed on main board of the Stock Exchange, during the period from September 2016 to December 2017.

Mr. Wang was the sole shareholder, the director and the legal representative of Nanjing Mei Xun Industrial and Trade Co., Ltd.*（南京美迅工貿實業有限公司）("**Nanjing Mei Xun**"), a company which was established in Nanjing in June 2004 and remained dormant then. The business licence of Nanjing Mei Xun was revoked by Nanjing Administration for Industry and Commerce due to its failure to participate in the annual inspection carried out by Xuanwu Branch of Nanjing Administration for Industry and Commerce for the year of 2010 within the prescribed time. To the best knowledge and belief of Mr. Wang, the local staff of Nanjing Mei Xun was responsible for handling daily operation including the annual inspection of Nanjing Mei Xun. Mr. Wang was not aware of any such information that the annual inspection had not been done by the local staff. To the best knowledge of Mr. Wang, Nanjing Mei Xun had not received any fine or penalty as a result of such revocation of business licence.

Biographical Details of Directors and Senior Management

Mr. Lu Jian ("Mr. Lu"), aged 51, joined the Company since July 2017 and is the vice president of the Company. He is responsible for assisting the chief executive officer of the Company in charge of operation and management of the property segment of the Group. Mr. Lu has over 26 years of extensive experience in property industry. From 1992 to 1994, Mr. Lu worked as an engineer in Magang (Group) Holding Co., Ltd. Mr. Lu worked as the senior manager of Shanghai Lee Tat Property Agency Company Limited from 1994 to 1996. Mr. Lu was the general manager of Shanghai Lanbao Property Company Limited from 1996 to 1998. Mr. Lu was a director of DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. from 1998 to 2009. He was a vice president of Yurun Holding Group Co., Ltd. from 2009 to 2015. Subsequently, he was the president of SHKP Group Co,. Ltd. from 2015 to 2017. He studied in Shanghai Jiaotong University from 1988 to 1992 and obtained a bachelor's degree in the faculty of precision instrument. He also studied in Shanghai University of Finance and Economics from 1996 to 1998 and obtained a master's degree in economics, majoring in investment economics.

Mr. Zhou Fei ("Mr. Zhou"), aged 38, joined the Company since August 2016 and is the assistant to chief executive officer and chief risk officer of the Company. Mr. Zhou is responsible for the listing compliance, risk management and legal compliance of the Company. He obtained a bachelor of laws degree from School of Law, Southeast University in 2003 and a master of laws degree from School of Law, University of Connecticut, the USA in 2006. He obtained Legal Profession Qualification of PRC in 2004 and is also a qualified lawyer in the State of New York of the USA. Mr. Zhou has over 10 years of experience practicing as a lawyer and has extensive experience in corporate law, China-related public and private mergers and acquisitions and capital market transactions. He worked as an associate of the capital markets group in the Shanghai office of Baker & McKenzie from 2007 to 2016.

Ms. Seto Ying ("Ms. Seto"), aged 43, was appointed as the company secretary of the Company on 12 December 2013. Ms. Seto resigned as an executive Director of the Company on 12 December 2013. Ms. Seto is responsible for the information disclosure management, investor relations and company secretarial matters of the Group. Ms. Seto obtained a bachelor's degree majoring in business administration in accountancy issued by the Chinese University of Hong Kong in 1998. Ms. Seto is a fellow member of the Association of Chartered Certified Accountants, a member of the HKICPA, the HKICS and the CGI. Ms. Seto has more than 20 years of experience in the field of finance and company secretarial matters including working in an international accounting firm. Ms. Seto is a director of certain subsidiaries of the Company.

* *For identification purpose only*

Chairman's Statement

Dear Shareholders,

In 2019, the Company optimized its business structure with a focus on the new energy-fueled high-end manufacturing, tourism, healthcare, green real estate and consolidated investment, and proactively explored new development opportunities.

As at 31 December 2019, total assets of the Company were RMB43.792 billion with a gearing ratio of 23.18%, and its annual revenue amounted to RMB11.163 billion, representing a year-on-year increase of 8.50%.

In 2019, China High Speed Transmission Equipment Group Co., Ltd. (00658.hk), a subsidiary of the Company, delivered outstanding performance in the domestic, US and European markets. The Group held the ground construction ceremony for its production base of wind power main gearboxes in India. The Group will continue to push forward the implementation of its global business strategy, and further consolidate its global leading position in the wind power gearbox business. Meanwhile, the rail transportation gear equipment products of the Group have been widely applied in China, the US, Europe and other regions. The launch of Global Transmission Net* (環球傳動網) is aimed to establish a B2B vertical e-commerce platform, so as to achieve the transformation from "made in China" to "created in China".

The healthcare and tourism businesses represent the development focus of the Group in the future. According to the Plan for Healthy China 2030 (《"健康中國 2030"規劃綱要》), the healthcare service and tourism industries have become the key driving engines for the future growth of the PRC economy. According to the forward looking industry research report, the size of the healthcare service industry will reach RMB15 trillion in 2023, while in 2019, the size of China's healthcare service industry was about RMB8.7 trillion, demonstrating huge potential for development. The tourism industry is becoming an important growth point of the national economy. Given the development trend of the consumption market in China, and with the upgrading of consumption structure, accelerated ageing population and urbanization process, the business segments such as elderly care, health management, healthcare and rehabilitation, health food and tourism and resort have entered into the high-speed growth phase.

In 2019, the Company gradually extended its business antenna into the healthcare and tourism industries by exploring cooperation opportunities with Tuniu and Lvmama and launching the health food, health sports, health tourism, tourism B2B and tourism supply chain businesses. In 2019, the Company primarily established cooperation relationship with well-known tourism platforms and carried out business cooperation with several offline travel agencies, destination suppliers and other enterprises involved in the tourism industrial chain. The Company has gradually built the healthcare tourism industrial chain of "Investment + Finance + Supply Chain + Platform + Destination + Product + Operation" by providing business partners with supports in finance, channel, capital fund, product, service and other aspects. In 2019, the commercial real estate projects recorded steady growth in customer flow and revenue. In particular, the daily average customer flow of the domestic urban projects Yuhua Salon（雨花客廳）and Wonder City（虹悦城）exceeded 50,000, which were very popular among the medium and high-end local consumers.

* *For reference only*

Chairman's Statement

In 2020, the outbreak of the COVID-19 pandemic has exerted a certain impact on our domestic and overseas commercial and hotel projects. The Company is also watching closely the potential impacts and will make relevant disclosure based on the scope of impacts when necessary. In addition, the Company will develop response measures to ensure the safe and stable operation of our domestic and overseas commercial and hotel projects. The Company believes that, despite the temporary poor performance of the domestic commercial and tourism industries due to the outbreak of the COVID-19 pandemic, market consumption demands will rebound strongly when the pandemic comes to an end.

In 2020, the Group will further accelerate the integration of the healthcare and tourism businesses, and expand the market channels of the tourism and healthcare businesses through a variety of approaches including investments, acquisitions and mergers and business cooperation. Meanwhile, the Group will carry out product development focused on healthcare and tourism, and enhance its capability to turn customer flow into cash flow and improve royalty of the platform users. We will support the establishment of S2B and B2B2C platforms by leveraging on our tourism resources, product resources and financial services, and promote sales of distinctive goods through our tourism resources, offering additional services and profit opportunities for the platforms and travel agencies, so as to drive business growth of our business partners involved in the industrial chain.

In 2020, the Company will take proactive measures to implement transparent and open corporate governance, and create more opportunities allowing the shareholders of the Company to involve in the corporate governance, in a joint effort to promote the sustainable development of the Company. The Company will continue to seek for investment opportunities around the world to drive business growth and achieve synergetic effects, including investment opportunities in commerce, distinctive destination goods, green real estate, hotels, healthcare services and other areas. By leveraging on the tourism industrial chain, we will spare no effort to drive growth of our green real estate, commerce, healthcare service, supply chain, finance and investment and other businesses, so as to promote the synergetic development of the existing businesses.

Ji Changqun
Chairman of the Board

Hong Kong, 31 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

The revenue of Fullshare Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Year 2019**") was derived from property, tourism, investment and financial services, healthcare and education and new energy businesses.

(1) Property business

(a) Property sales

During the Year 2019, the Group had contracted sales of approximately Renminbi ("**RMB**") 362,348,000, representing an increase of approximately 56% as compared with the year ended 31 December 2018 (the "**Year 2018**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 21,721 sq.m., representing an increase of approximately 110% as compared with the Year 2018. The contract sales in the Year 2019 were mainly contributed by Yuhua Salon Project and Kunshan Herong Project. As at 31 December 2019, the Group's contracted sales for the contracts signed but properties not yet delivered were approximately RMB19,608,000 with a total GFA of 1,448 sq.m. The increase in contracted sales and GFA was mainly due to most of the projects have not yet fulfilled the conditions of pre-sale for the Year 2018. During the Year 2019, the average contracted selling price was approximately RMB16,682 per sq.m., representing a decrease of approximately 26% as compared with the Year 2018.

As at 31 December 2019, a breakdown of the major properties held by the Group in the People's Republic of China (the "**PRC**") and their construction status was as follows:

Project name	Address	Project type	Construction progress of the project	Expected completion date	Site area *(sq.m.)*	GFA completed *(sq.m.)*	GFA under construction *(sq.m.)*	Accumulated contracted sales GFA *(sq.m.)*	Interest attributable to the Group
Yuhua Salon （雨花客廳）A1	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and commercial project	Completed	Completed	33,606	79,287	–	59,216	100%
Yuhua Salon （雨花客廳）A2	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Hotel and office project	Under construction	First quarter of 2020	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	–	70,621	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	–	68,584	100%
Kunshan Herong （昆山和融）	North to Chinese Garden Road, West to Huangshan Road, Development District, Kunshan, the PRC	Residential project	Completed	Completed	48,553	145,990	–	50,440	100%
					204,039	548,302	81,380	248,861	

(b) Investment properties

As at 31 December 2019, the investment properties of the Group mainly included Wonder City*（虹悦城）, certain units of Yuhua Salon*（雨花客廳）, 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（虹悦城）	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	79,691	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	2,811	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%
				241,001	

(c) Green building services and entrusted construction services

During the Year 2019, the Group engaged in provision of technical design and consulting services, green management services and entrusted construction services in the PRC. During the Year 2019, the revenue from both green building services and entrusted construction services was approximately RMB24,889,000 (2018: RMB70,228,000).

(2) Tourism business

During the Year 2019, the Group has gradually developed its tourism business, to build an industrial layout that combines investment activities and operation of businesses and integrates 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, the Five Seasons Hotel project and the Hainan Wenchang Five Seasons Hotel project.

The Group has steadily promoted its tourism supply chain business during the Year 2019. By purchasing from upstream agents or centrally purchasing tourism resources, the Group helped the small and medium-sized travel agencies and certain online travel agency platforms (OTAs) to reduce the procurement costs effectively. Meanwhile, the Group also purchased and underwrote several tourism resources, and distributed air tickets, hotels, entrance tickets and traveling route products to downstream travel agencies or OTAs. The Group has established a strategic cooperation with Songtsam Culture Tourism（松贊文旅）to jointly customize traveling routes, build up Songtsam brand and promote Tibetan culture. The Group has cooperated with the Guoyi Tang Medical Center of Nanjing University of Chinese Medicine*（南京中醫藥大學國醫堂）to develop distinctive healthcare tourism routes, which integrate health services, health products and cultural tourism to bring users a different healthcare tourism experience. In addition to providing centralised procurement services and discounted traveling routes and products for upstream and downstream enterprises in the tourism supply chain, the Group has also developed an online platform that combines three major features of (i) tourism resources and product transactions, (ii) risk assessment and control and (iii) supply chain finance, in order to open up the upstream and downstream logistics chain, capital chain, business flow and information flow of tourism enterprises, and support our partners to enhance their competitiveness.

The Laguna project is located in Bloomsbury of Queensland in 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 comprises the Sheraton Mirage Resort and the Golf Club project, which are located in Port Douglas of Queensland in Australia, a globally renowned tourist attraction. During the Year 2019, the hotel has been operating steadily with improving customer service quality and increasing operating revenue and profit. The Sheraton project comprises 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.

Nanjing Five Seasons Hotel is located in the Software Valley, Nanjing, Jiangsu Province of the PRC, and covers a land lot site area of 30,416 sq.m., with a total GFA of 81,380 sq.m. The hotel is expected to open for business in mid-2020.

Wenchang Five Seasons Hotel project is located in the coastal area of Gaolong Bay, Qinglan, Wenchang City, Hainan Province of the PRC. It is planned to be built into a five-star healthcare resort with a land lot site area of 61,689.33 sq.m. The compilation of the detailed planning and design proposal for construction has been completed.

During the Year 2019, the revenue from tourism business was approximately RMB371,624,000 (2018: RMB628,930,000).

(3) Investment and financial services business

During the Year 2019, 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 31 December 2019 and 31 December 2018 is set out as below:

As at 31 December 2019

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

Note:

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

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

As at 31 December 2018

Stock code	Name	Number of shares held *(Note 3)*	Effective shareholding interest	Acquisition cost *RMB'000*	Carrying amount *RMB'000*	Unrealised holding gain/(loss) arising on revaluation for the Year 2018 *RMB'000*	Realised gain/(loss) arising from disposal for the Year 2018 *RMB'000*	Dividend received/receivable for the Year 2018 *RMB'000*
153.HK *(Note 1)*	China Saite Group Company Limited	203,800,000	8.74%	95,024	66,219	(33,553)	–	–
1908.HK *(Note 1)*	C&D International Investment Group Limited	40,000,000	5.44%	145,777	234,646	(8,930)	(16,126)	14,892
2098.HK *(Note 1)*	Zall Group	949,224,000	8.13%	947,452	3,542,707	(3,569,603)	–	20,181
8307.HK *(Note 1)*	Medicskin Holdings Limited	80,000,000	16.65%	45,334	16,861	(24,742)	–	105
833581.NE *(Note 2)*	CH-Auto Technology Corporation Ltd	–	0%	–	–	–	9,367	–
					3,860,433	(3,636,828)	(6,759)	35,178

Note:

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

2. The company is a company listed on the National Equities Exchange and Quotations in the PRC.

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

The performance and prospect of the Group's major listed securities investment during the Year 2019 are as follows:

Zall Group

The principal activities of Zall Group include developing and operating large-scale product-focused wholesale shopping malls which focus on sales of consumer goods and the related value-added businesses, such as warehousing, logistics, e-commerce and financial services in the PRC. The Group held approximately 949,224,000 shares in Zall Group, representing approximately 8.06% of its entire issued capital as at 31 December 2019 (31 December 2018: 8.13%). The carrying amount of the investment in Zall Group accounted for approximately 1% of the Group's total assets as at 31 December 2019 (31 December 2018: 7%). Though the net profit of Zall Group dropped according to the announcement made by Zall Group on 2 March 2020, the Group believes that Zall Group's growth momentum in operation remains strong and expects the Group's investment in Zall Group to generate a return for the Group. The Group is of the view that the unrealised holding loss derived from holding Zall Group is non-cash in nature and relates to the change in fair value of the Group's investment in Zall Group that is volatile in nature. The unrealised holding loss will not adversely affect the Group's operating financial positions. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

(b) Other investments

During the Year 2019, apart from the above listed equity investments, the Group continued to monitor the portfolio performance and adjust the investments portfolio when necessary. The diversified investment portfolio is to implement the direction of expanding the sources of the Group's investment income and stabilizing its long term investment strategies.

(c) Investment and financial related consulting services

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

During the Year 2019, this segment recorded a loss of approximately RMB3,222,296,000 (2018: RMB3,220,116,000). The change is mainly derived from the fair value changes in financial instruments which are relatively volatile in nature. The loss before tax from the fair value changes in financial instruments for the Year 2019 of approximately RMB2,824,876,000 (2018: RMB3,555,856,000) was mainly attributable to changes in share price of Zall Group. The loss from fair value change after tax of the financial instruments at fair value through other comprehensive income was approximately RMB1,505,000 (2018: RMB189,523,000). As at 31 December 2019, 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 RMB2,128,787,000 and RMB6,323,866,000 (2018: RMB7,352,513,000 and RMB4,904,854,000) respectively.

(4) Healthcare and education business and others

During the Year 2019, 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 RMB350,514,000 (2018: RMB366,224,000).

(5) New Energy segment

New energy segment is principally engaged in research, design, development, manufacture and distribution of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications. During the Year 2019, the segment has contributed revenue of approximately RMB9,869,788,000 (2018: RMB8,509,022,000) to the Group.

(a) Wind gear transmission equipment

The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the Group has a range of products including 750kW, 1.5MW, 2MW, 3MW and 5MW wind power transmission equipment which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind power gear boxes to customers, the Group has also successfully developed and accumulated 6MW and 7MW wind power gear box with a technological level comparable to its international peers, thus enabling it to have the capability and technology to produce those products.

Management Discussion and Analysis

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 renowned international wind turbine manufacturers such as GE Renewable Energy, Siemens Gemesa Renewable Energy and Vestas, etc. 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 wholly-owned subsidiaries in the United States of America, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and strive 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 traditional gear transmission equipment products are mainly supplied to customers in industries such as metallurgy, construction materials, traffic, transportation, petrochemical, aerospace and mining.

In the past two years, the equipment industry of China has been affected by overcapacity, the Group adjusted the development strategy for traditional industrial gear transmission equipment. Above all, with the focus on energy-saving and environmentally-friendly products, the Group has upgraded the technology of the heavy products by the technology advantage, meanwhile, the Group has self-developed standardized, modular and intelligent products which are internationally competitive, facilitate the change in sales strategies and explore new markets and new industries by the products positioning with complete range, clear layers and precise subdivision. In particularly, the Group made the product development and research and market explore of the standard gearbox and planetary gearbox, etc. At the same time, the Group strengthened its efforts to provide and sell parts and components of relevant products as well as system solutions to its customers, helping them enhance their current production efficiency without increasing capital expenditure, thereby maintaining the Group's position as a major supplier in the traditional industrial transmission product market.

In respect of transmission equipment for high-speed rails, metro lines, urban train and tram segments, the Group has obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry for its rail transportation products, which has laid a solid foundation for the Group's rail transportation products to expand into high-end international railway markets. Currently the products have been successfully applied to rail transportation transmission equipment in Beijing, Shanghai, Shenzhen, Nanjing, Hong Kong and other cities in China and have also been successfully applied to rail transportation transmission equipment in multiple countries and regions such as Singapore, Brazil, Netherlands, India, Mexico, Tunisia, Australia and Canada. The Group will continue to actively extend the transmission equipment business into high-speed rails, metro lines, urban train and tram segments, and accelerate the research and development of rail transportation gear equipment products.

The metro gear boxes that are used in the metro of Shanghai, Hong Kong and Melbourne are PDM385 type two-stage metro gear box, which were developed by the Group on the basis of the assimilation of domestic and foreign standards and customer specifications and several years' experience in design and manufacturing. PDM385 type two-stage metro gear box is characterized by its compact structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components have a lifetime of approximately 35 years.

PROSPECT

In 2020, the focus of the Company will remain on the development of the healthcare tourism and real estate businesses. Pursuing the idea of the industrial platform, the Group will continue to concentrate on industrial resources deployment and operation and management of its businesses. The Group will, through self-operation, investment in equities, cooperation and other possible methods, establish its presence in terms of resources, platforms, branding and media marketing as well as financing and payment, in order to form a healthcare tourism platform and a business ecosystem with a complete industrial hierarchy, full business synergy and sound transaction logic. Through resource integration, the Group will be able to enhance its market competitiveness, meet the demands of customer groups and business partners, and expect to achieve the anticipated return on investments.

The Group will continuously monitor changes in the policy, market and business environment, maintain healthy financial management policies, further enhance the effectiveness of capital utilisation, strengthen internal corporate governance, control operational risks and enhance its risk resistance capability in the future.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately RMB874,452,000, or 8%, from approximately RMB10,288,651,000 for the Year 2018 to approximately RMB11,163,103,000 for the Year 2019. The revenue and the changes for the Year 2019 and Year 2018 derived from different segments are listed as below:

Segment	Year 2019	Year 2018	Changes	
	RMB'000	*RMB'000*	***RMB'000***	**percentage**
Properties	**525,904**	773,549	**(247,645)**	**(32%)**
Tourism	**371,624**	628,930	**(257,306)**	**(41%)**
Investment and financial services	**45,273**	10,926	**34,347**	**314%**
Healthcare, education and others	**350,514**	366,224	**(15,710)**	**(4%)**
New energy	**9,869,788**	8,509,022	**1,360,766**	**16%**
Total Revenue	**11,163,103**	10,288,651	**874,452**	**8%**

The increment of the revenue of the Group mainly derived from the new energy segment which contributed the largest increment to the revenue of Group amounting to approximately RMB1,360,766,000. It was mainly due to the increase in market demands of wind gear transmission equipment which led to the increase in delivery.

The revenue from properties segment decreased by approximately RMB247,645,000 which was mainly because fewer property units were delivered and less construction services contracts were secured in the Year 2019.

The revenue from tourism segment also decreased by approximately RMB257,306,000 due to the Group experienced a transformation of business model for tourism supply chain business during Year 2019.

Cost of sales and services

The cost of sales and services of the Group increased by approximately RMB537,093,000, or 6%, from approximately RMB8,320,984,000 for the Year 2018 to approximately RMB8,858,077,000 for the Year 2019. The cost and changes for the Year 2019 and Year 2018 derived from different segments are listed as below:

Segment	Year 2019	Year 2018	Changes	
	RMB'000	*RMB'000*	*RMB'000*	percentage
Properties	255,259	343,896	(88,637)	(26%)
Tourism	353,310	618,689	(265,379)	(43%)
Investment and financial services	7,398	4,397	3,001	68%
Healthcare, education and others	266,068	323,064	(56,996)	(18%)
New energy	7,976,042	7,030,938	945,104	13%
Total cost	8,858,077	8,320,984	537,093	6%

Gross profit and gross profit margin

The gross profit of the Group increased by approximately RMB337,359,000, or 17%, from approximately RMB1,967,667,000 in the Year 2018 to approximately RMB2,305,026,000 for the Year 2019. The gross profit margin increased from 19% in the Year 2018 to 21% for the Year 2019. The gross profit of the Group was mainly derived from properties segment and new energy segment. The gross profit and gross profit margin for the Year 2019 derived from the properties segment and new energy segment were approximately RMB270,645,000 and 51%, and RMB1,893,746,000 and 19% respectively. The gross profit and gross profit margin in the Year 2018 derived from the properties segment and new energy segment were RMB429,653,000 and 56%, and RMB1,478,084,000 and 17% respectively. The decrease in gross profit margin of the properties segment was mainly due to the gross profit margin of the properties projects that were delivered during the Year 2019 is lower than that delivered in the Year 2018. In addition, the increase in the gross profit and gross profit margin of the new energy segment was mainly due to the positive impact from economies of scale.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately RMB86,221,000, or 21%, from approximately RMB418,525,000 for the Year 2018 to approximately RMB504,746,000 for the Year 2019. 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 Year 2019 was mainly in line with the increase in revenue from new energy segment.

Administrative expenses

Administrative expenses of the Group decreased by approximately RMB128,978,000, or 12%, from approximately RMB1,047,603,000 for the Year 2018 to approximately RMB918,625,000 for the Year 2019. The administrative expenses for the Year 2019 mainly included salaries and staff welfare, depreciation and amortisation of tangible and intangible assets. The decrease in administrative expenses in the Year 2019 was mainly due to the effort of the Group's implementation of stricter cost control policy.

Research and development costs

Research and development costs of the Group increased by approximately RMB56,531,000, or 16%, from approximately RMB347,707,000 for the Year 2018 to approximately RMB404,238,000 for the Year 2019. The increase in research and development costs was mainly due to the increase in efforts put on research and development of new energy segment.

Net impairment losses on the financial assets

The net impairment loss on the financial assets of the Group in the Year 2019 increased by approximately RMB348,787,000 or 216%, from approximately RMB161,281,000 for the Year 2018 to approximately RMB510,068,000 for the Year 2019. Increase in credit impairment losses was mainly due to the increment of the expected loss rate of loans receivables in view of delayed repayments and worsening financial status of certain borrowers.

Other income

Other income of the Group decreased by approximately RMB136,078,000, or 17%, from approximately RMB809,718,000 for the Year 2018 to approximately RMB673,640,000 for the Year 2019. Other income for the Year 2019 mainly included other interest income of approximately RMB241,785,000, dividend income of approximately RMB154,236,000 and management fee income of RMB111,286,000. Other income for the Year 2018 mainly included other interest income of approximately RMB390,576,000, bank interest income of approximately RMB151,896,000 and dividend income of approximately RMB146,919,000.

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 RMB2,824,876,000 for the Year 2019 (Year 2018: RMB3,555,856,000). The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss in both Year 2019 and Year 2018 which was mainly due to the price decrease of 949,224,000 shares of Zall Group held by the Group. The Group will closely monitor its investment performance and will adjust its investment plan and portfolio when necessary.

Finance costs

Finance costs of the Group decreased by approximately RMB121,395,000, or 13%, from approximately RMB948,747,000 for the Year 2018 to approximately RMB827,352,000 for the Year 2019, which was mainly due to the lower average borrowing amount of the Group for the Year 2019 than for the Year 2018.

Share of result of joint ventures

The Group's share of loss from its joint ventures increased from approximately RMB22,327,000 for the Year 2018 to approximately RMB252,047,000 for the Year 2019. It was mainly because of the significant loss recognised due to the disposal of investment made by Fullshare Value Fund I L.P..

Income tax expense/credit

For the Year 2019, the current tax expense and the deferred tax credit of the Group amounted to approximately RMB234,253,000 and RMB603,811,000 respectively, and for the Year 2018, the current tax expense and the deferred tax credit amounted to approximately RMB162,036,000 and RMB641,607,000, respectively.

The deferred tax credit for the Year 2019 was mainly derived from the fair value loss in financial instruments of approximately RMB455,353,000 and net impairment losses on financial assets of approximately RMB105,197,000. The deferred tax credit in the Year 2018 was mainly derived from the fair value losses in financial instruments of approximately RMB597,548,000 and reversal of deferred tax liabilities of approximately RMB46,653,000 recognised at the date of acquisition of China High Speed Transmission Equipment Group Co., Ltd. when the non-current assets were depreciated, amortised and disposed of.

Loss/profit for the Year 2019

For the Year 2019, the Group recorded a loss after tax of approximately RMB2,844,118,000 (2018: RMB3,062,457,000). The losses for both Year 2019 and Year 2018 was mainly due to the net fair value loss after tax in financial instruments and the net credit impairment losses recognised on financial assets.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

For the Year 2019, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash position

As at 31 December 2019, the Group had cash and cash equivalents (excluding the restricted cash) of approximately RMB2,797,003,000 (31 December 2018: RMB2,536,801,000), representing an increase by approximately RMB260,202,000 or 10% as compared to 31 December 2018. The Group's cash and cash equivalents remain stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

Bank and other borrowings and corporate bonds

As at 31 December 2019, the debt profile of the Group and the comparative figures for the previous year are as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Bank and other borrowings repayable:		
Within one year or on demand	5,199,030	7,020,106
Between one and two years	1,698,471	1,152,269
Between two to five years	451,100	1,731,923
Over five years	381,816	560,120
	7,730,417	10,464,418
Corporate bonds repayable:		
Within one year or on demand	1,923,316	–
Between one and two years	498,437	1,921,937
Between two to five years	–	498,148
	2,421,753	2,420,085
Total debts	10,152,170	12,884,503

As at 31 December 2019, the total debt of the Group decreased by approximately RMB2,732,333,000 or 21%, as compared with 31 December 2018.

Leverage

The gearing ratio of the Group as at 31 December 2019, calculated as a ratio of the sum of bank and other borrowings and corporate bonds to total assets, was approximately 23% (31 December 2018: 26%). The net equity of the Group as at 31 December 2019 was approximately RMB20,867,821,000 (31 December 2018: approximately RMB23,900,537,000).

As at 31 December 2019, the Group recorded total current assets of approximately RMB21,803,811,000 (31 December 2018: RMB27,966,791,000) and total current liabilities of approximately RMB18,010,483,000 (31 December 2018: RMB18,625,456,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.2 as at 31 December 2019 (31 December 2018: 1.5).

Management Discussion and Analysis

Foreign Exchange Exposure

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

Treasury Policies

As at 31 December 2019, bank and other borrowings of approximately RMB7,427,014,000, RMB6,976,000, RMBnil, RMBnil and RMB296,427,000 were denominated in RMB, US dollars, Hong Kong dollars, Euros and Australia dollars respectively (31 December 2018: RMB7,280,882,000, RMB2,023,741,000, RMB647,237,000, RMB269,084,000 and RMB243,474,000). As at 31 December 2019, corporate bonds of approximately RMB2,412,713,000 and RMB9,040,000 were denominated in RMB and Hong Kong dollars respectively (31 December 2018: RMB2,411,465,000 and RMB8,620,000). The debts in various currencies were mainly made to finance the operation of Group's entities in different jurisdictions.

Bank and other borrowings and corporate bonds of approximately RMB9,877,218,000 (31 December 2018: RMB11,346,826,000) 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 dollars and Australian dollars. The Group currently does not have foreign exchange and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

Pledge of Assets

Details of the Group's pledged assets as at 31 December 2019 are set out in note 53 to the consolidated financial statements in this report.

Operating Segment Information

Details of the operating segment information of the Group for the Year 2019, are set out in note 6 to the consolidated financial statements in this report.

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2019 are set out in note 52 to the consolidated financial statements in this report.

Contingent Liabilities

Details of contingent liabilities of the Group as at 31 December 2019 are set out in note 51 to the consolidated financial statements in this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group that have occurred since the end of the Year 2019 are set out in note 57 to the consolidated financial statements in this report.

MATERIAL ACQUISITIONS AND DISPOSALS

To expand the scale of operations and improve the quality of the assets of the Group, the Group conducted the following material acquisition in the Year 2019:

On 31 December 2019, Nanjing Fullshare Dazu Technology Co., Ltd.*（南京豐盛大族科技股份有限公司）(“**Fullshare Dazu**”), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Nanjing Chuangrui Enterprise Management Co., Ltd.*（南京創睿企業管理有限公司）(“**Nanjing Chuangrui**”), pursuant to which, Fullshare Dazu agreed to acquire, and Nanjing Chuangrui agreed to sell 100% equity interests of Nanjing Zhonghui Heda Business Management Co., Ltd.*（南京眾慧合達商業管理有限公司）(the “**Target Company**”) for a consideration of RMB398 million (equivalent to approximately HK$443.06 million). The Target Company is principally engaged in holding two floors of a large shopping mall in Liuhe District, Nanjing, Jiangsu Province, the PRC. The acquisition of the Target Company was completed on 21 January 2020. Details of the acquisition were set out in the announcements of the Company dated 31 December 2019 and 17 January 2020 respectively.

In the Year 2019, save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or joint ventures.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the “**AGM**”) to be held on Friday, 29 May 2020, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 May 2020.

EMPLOYEES

As at 31 December 2019, the Group had about 6,694 employees (31 December 2018: 6,652 employees). The Group’s total staff costs (including executive directors’ remuneration) amounted to approximately RMB1,807,414,000 in the Year 2019 (Year 2018: approximately RMB1,741,290,000). 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.

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE CODE

Fullshare Holdings Limited (the "**Company**") is committed to maintaining a high standard of corporate governance. The board (the "**Board**") of directors (the "**Director(s)**") of the Company believes that a high standard of corporate governance provides a framework and solid foundation for the Company and its subsidiaries (collectively the "**Group**") to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders (the "**Shareholder(s)**") and other stakeholders of the Company.

The Company has applied the principles and complied with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2019 ("**Year 2019**") except for the following deviation:

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year 2019, the positions of chairman and chief executive officer (the "**CEO**") of the Company were held by Mr. Ji Changqun. 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 executive and independent non-executive Directors on the Board and the various committees of the Board in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. The Board will review regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the Year 2019.

THE BOARD

The Board currently consists of a total of six Directors, comprising three executive Directors and three independent non-executive Directors (the "**INED(s)**"). The composition of the Board during the year and up to the date of this report is set out as follows:

Executive Directors

Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen (appointed on 23 October 2019)
Mr. Wang Bo (resigned on 23 October 2019)

INEDs

Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

There is no financial, business, family or other material/relevant relationship among the members of the Board.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules that requires every board of directors of a listed issuer to include at least three INEDs representing at least one-third of the board, and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

For an INED to be considered independent, the Board must determine that the INED does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of the INEDs. The Board has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent.

All INEDs were appointed for a specific term of three years, subject to re-election.

According to the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting of the Company (the "**AGM**"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

The Company provides Directors with directors' liability insurance in respect of relevant legal actions against the Directors.

Board Process

The Board is responsible for formulating overall strategies, approving and monitoring the Group's policies and business plans, evaluating the performance of the Group and supervising the work of management. It delegates day-to-day operations and administration of the Company to the management within the control and authority set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**"), the risk management committee (the "**Risk Management Committee**") and the environmental, social and governance committee (the "**ESG Committee**") of the Company. Further details of these committees are set out in this report.

Corporate Governance Report

During the Year 2019, seven Board meetings were held and the chairman of the Board held a meeting with the INEDs without the presence of other executive Directors. The attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee, ESG Committee and general meetings of the Company during the Year 2019 are set out below:

	Attendance/number of meetings held during the Year 2019							
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	ESG Committee	General Meetings	Chairman with INEDs Meeting
Executive Directors								
Mr. Ji Changqun	7/7	n/a	1/1	2/2	n/a	n/a	2/2	1/1
Ms. Du Wei	7/7	n/a	n/a	n/a	4/4	2/2	2/2	n/a
Mr. Shen Chen (appointed on 23 October 2019)	1/1	n/a	n/a	n/a	1/1	n/a	n/a	n/a
Mr. Wang Bo (resigned on 23 October 2019)	6/6	n/a	n/a	n/a	3/3	2/2	2/2	n/a
INEDs								
Mr. Chow Siu Lui	7/7	5/5	n/a	n/a	n/a	n/a	2/2	1/1
Mr. Lau Chi Keung	7/7	5/5	1/1	2/2	n/a	n/a	2/2	1/1
Mr. Tsang Sai Chung	7/7	5/5	1/1	2/2	4/4	2/2	2/2	1/1

The Board meets regularly at least four times a year and has formal procedures to include matters to be referred to it for consideration and approval at the Board meetings. At least 14 days' notice is given to all Directors for regular Board meetings. Each director may include any item in the agenda. The agenda and accompanying meeting papers with sufficient information are sent to all Directors at least 3 days before the intended date of a regular Board meeting to enable the Directors to make informed decisions on the matters to be discussed (and so far as practicable for such other Board meetings). Between scheduled meetings, management provides information to the Directors on the activities of and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any Director may request the company secretary of the Company (the "**Company Secretary**") to seek for independent professional advice to assist the Directors to effectively discharge their duties.

Draft minutes of each Board meeting and Board committee meeting are circulated to all Directors/Board committee members for their comments within a reasonable time after each meeting before being approved by the chairman of such meeting. Minutes shall record sufficient details in relation to matters considered and decisions reached, including any concerns raised by Directors/Board committee members or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are available for inspection by any Director/Board committee member.

If a substantial shareholder or a Director has a material conflict of interest in a matter considered by the Board, the matter will be dealt with by a physical Board meeting. Except for those circumstances permitted by the Articles of Associations and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement in which he/she or any of his/her associates has a material interest nor shall he/she be counted in the quorum present at the Board meeting.

Directors' Professional Continuous Development

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure he/she has a proper understanding of the Company's operations and business and full awareness of his/her responsibilities under the Listing Rules, legal and other regulatory requirements, and in particular the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of the Directors.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills so as to ensure their contribution to the Board remains informed and relevant. On an ongoing basis, all Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend trainings, seminars, conferences and forums as appropriate. They are also regularly updated by reading materials concerning the business and financial updates, directors' duties, latest developments in corporate governance practices and relevant legal and regulatory developments. Records of training received by the Directors for the year ended 31 December 2019 are summarised as follows:–

Name of Directors	Attending trainings/seminars/ conferences/forums	Reading materials relating to the business and financial updates, directors' duties, corporate governance practices, legal and regulatory developments, etc.
Executive Directors		
Mr. Ji Changqun	✓	✓
Ms. Du Wei	✓	✓
Mr. Shen Chen (appointed on 23 October 2019)	✓	✓
Mr. Wang Bo (resigned on 23 October 2019)	✓	✓
INEDs		
Mr. Lau Chi Keung	✓	✓
Mr. Chow Siu Lui	✓	✓
Mr. Tsang Sai Chung	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year 2019, the Board has performed the corporate governance duties by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 18 January 2006, and is chaired by an INED and the majority of the members of the Remuneration Committee are INEDs. During the Year 2019 and up to the date of this report, the members of the Remuneration Committee are:

Mr. Lau Chi Keung *(Chairman)*
Ms. Du Wei (appointed on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Ji Changqun (resigned on 23 October 2019)

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management of the Company. No Director can determine his/her own remuneration package. The terms of reference of the Remuneration Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2019, the Remuneration Committee held one meeting and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the Remuneration Committee meetings, the Remuneration Committee also dealt with matters by way of circulation during the Year 2019. The works performed by the Remuneration Committee during the Year 2019 were summarized as below:

(i) reviewed the Group's remuneration policy and structure;

(ii) reviewed the existing remuneration package of all executive Directors and senior management of the Company and recommended for the Board's approval the increment in the remuneration for the Year 2019;

(iii) reviewed and recommended for the Board's approval the existing remuneration of all INEDs for the Year 2019;

(iv) reviewed and recommended for the Board's approval the remuneration package of the newly appointed Director;

(v) reviewed and recommended for the Board's approval the remuneration package of the newly appointed senior management of the Company;

(vi) reviewed and recommended for the Board's approval the renewal of the term of appointment of the INEDs; and

(vii) reviewed and recommended for the Board's approval the cancellation of part of share options under the share option scheme of the Company and lapse of all award shares under the share award scheme of the Company.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2012, and is chaired by the chairman of the Board and the majority of the members of the Nomination Committee are INEDs. The current members of the Nomination Committee are:

Mr. Ji Changqun *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and identifying suitable candidates and making recommendations to the Board in relation to the appointments of new Directors and re-nomination and re-election of Directors. When nominating candidates for directorships, the Nomination Committee will consider candidates on merit and against the objective criteria as set out under the Nomination Policy (including without limitation, backgrounds, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy), with due regard to the board diversity policy (the "**Board Diversity Policy**"), where appropriate, before making recommendations to the Board. The terms of reference of the Nomination Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2019, the Nomination Committee held two meetings and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the Nomination Committee meetings, the Nomination Committee also dealt with matters by way of circulation during the Year 2019. The works performed by the Nomination Committee during the Year 2019 were summarized as below:

(i) reviewed the structure, size, composition and diversity of the Board;

(ii) assessed the independence of each INED;

(iii) reviewed and recommended for the Board's approval the change of Director;

(iv) reviewed and recommended for the Board's approval the renewal of the term of appointment of the INEDs; and

(v) reviewed and recommended for the Board's approval the appointment and resignation of senior management of the Company.

Board Diversity Policy

The Board has adopted the Board Diversity Policy on 1 September 2013, and subsequently updated on 1 January 2019, which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy, and monitor the implementation of the same. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

A copy of the Board Diversity Policy is available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee was established on 26 November 2002. The Audit Committee currently comprises three INEDs and the chairman possesses appropriate professional qualifications, accounting and related financial management expertise. The current members of the Audit Committee are:

Mr. Chow Siu Lui *(Chairman)*
Mr. Lau Chi Keung
Mr. Tsang Sai Chung

The Audit Committee is responsible for, amongst other things, overseeing the relationship with the external auditors, reviewing the Group's interim and annual results, reviewing the scope, extent and effectiveness of the internal financial control system of the Group, reviewing financial reporting system of the Group, and seeking independent professional advice in appropriate circumstances to discharge its duties. The terms of reference of the Audit Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2019, the Audit Committee held five meetings and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the Year 2019. The works performed by the Audit Committee during the Year 2019 were summarized as below:

(i) reviewed and recommended for the Board's approval the annual results for the year ended 31 December 2018 and the interim results for the six months ended 30 June 2019;

(ii) reviewed the fees for the engagement of external auditors to provide audit service;

(iii) reviewed the independence of the external auditor;

(iv) reviewed the financial reporting system of the Group;

(v) reviewed the effectiveness of the internal financial control system of the Group;

(vi) reviewed the effectiveness of the internal audit function of the Group; and

(vii) reviewed and recommended to the Board regarding the change of auditor.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 16 December 2016, which is chaired by an executive Director and the majority of the members of the Risk Management Committee are executive Directors. During the Year 2019 and up to the date of this report, the members of the Risk Management Committee are:

Mr. Shen Chen *(Chairman)* (appointed on 23 October 2019)
Ms. Du Wei (re-designated from the chairman to a member on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Wang Bo (resigned on 23 October 2019)

The Risk Management Committee is responsible for advising the Board on the overall risk appetite/tolerance and risk management strategies of the Group, overseeing the implementation of the risk management strategies, and reviewing the scope, extent and effectiveness of the internal control system (other than internal financial control system) of the Group. The terms of reference of the Risk Management Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

During the Year 2019, the Risk Management Committee held four meetings and the attendance of each member is set out in the section headed "The Board" of this report. The works performed by the Risk Management Committee during the Year 2019 were summarized as below:

(i) assessed the effectiveness of the risk management strategies;

(ii) identifying the overall risks of the Group; and

(iii) assessed the effectiveness of the internal control system (other than internal financial control system) and risk management system.

ESG COMMITTEE

The ESG Committee was established on 7 July 2018, which is chaired by an executive Director and the majority of the members of the ESG Committee are executive Directors. During the Year 2019 and up to the date of this report, the members of the ESG Committee are:

Ms. Du Wei *(Chairman)* (re-designated from a member to the chairman on 23 October 2019)
Mr. Shen Chen (appointed on 23 October 2019)
Mr. Tsang Sai Chung
Mr. Wang Bo *(Chairman)* (resigned on 23 October 2019)

The ESG Committee is responsible for reviewing the Company's environmental, social and governance policies and practices and monitoring the implementation of the same. The terms of reference of the ESG Committee, which described its authority and duties, are available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

The Company Secretary, Ms. Seto Ying, undertook not less than 15 hours of relevant professional training during the year ended 31 December 2019.

AUDITORS' REMUNERATION

The fees paid/payable to the external auditors of the Group, for audit and non-audit services for the year ended 31 December 2019 amounted to approximately RMB6,750,000 (2018: RMB7,500,000) and approximately RMB2,700,000 (2018: RMB3,244,000) respectively. The statutory audit fee for the year ended 31 December 2019 is payable to Baker Tilly Hong Kong Limited, the existing external auditor of the Group, while the non-audit service fee of the Group for year ended 31 December 2019 was paid to the former external auditor of the Group. Details of the fees paid/payable to the external auditor for non-audit services for the year are listed below:

Review of financial statements	RMB2,700,000

There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee for a period of two years from the date of his ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered. Taking into account the independence of the auditor, the relationship of the auditor with the Company as well as the opinion of the management of the Company, the Audit Committee recommended the Board to re-appoint Baker Tilly Hong Kong Limited as the external auditor of the Group for the year 2020, subject to approval by the Shareholders at the forthcoming AGM to be held on 29 May 2020.

INTERNAL CONTROL

The Board has, through the Audit Committee and the Risk Management Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions for the Year 2019. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

In order to improve the Group's internal control, the Company has engaged RSM Consulting (Hong Kong) Limited ("**RSM**") to perform a review of the procedures, systems and controls for the Group. RSM has submitted its internal control review reports for the Group to the Audit Committee and the Board in March 2019, August 2019 and March 2020 respectively. Findings and recommendations concerning improvements to the Group's internal control have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate. In order to further enhance the effectiveness of the internal control, the Company has implemented an ongoing internal control review plan by engaging RSM for the coming year.

Procedures to Identify, Evaluate and Manage Significant Risks

The Risk Management Committee has set up a Risk Management Working Group (the "**Working Group**"), which members come from different departments including internal audit, finance, legal compliance as well as human resources. The Working Group holds regular quarterly meeting. Different departments report to the Working Group in respect of its own identified risks and the Working Group discusses and evaluates the proposal to manage the risks. Any significant risks once identified will be reported to the Risk Management Committee immediately, if necessary. The Risk Management Committee holds regular quarterly meeting to discuss and assess the identified risks reported by the Working Group and also assess the effectiveness of the risk management strategies and the internal control and risk management systems. The Risk Management Committee reports to the Board regularly. The meeting minutes of the Working Group and the Risk Management Committee are kept by the Company Secretary, which are available for inspection by any Director. The Board considered the Group's risk management system to be effective and adequate.

Inside Information

The Company has followed the procedures for handling and disclosure of inside information during the Year 2019. All departments of the Company shall report inside information which may materially affect the Company's share price to the Company Secretary and the legal compliance department. The Company has communicated with all relevant staff regarding the implementation of the procedures and relevant trainings are also provided.

Internal Audit

The internal audit department generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2019. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2019 have been properly prepared in accordance with the statutory requirements and applicable accounting standards on a going concern basis.

The statement by the auditor of the Group regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 59 to 66.

COMMUNICATION WITH SHAREHOLDERS

The Shareholders' communication policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

Shareholders and potential investors are encouraged to access to the Company's website at www.fullshare.com which has provided more comprehensive information to enhance the transparency and communication effectiveness between the Company, Shareholders and investment community. The Company has established a number of channels to maintain an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.fullshare.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGM and extraordinary general meeting (the "**EGM**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management of the Company;

(v) Company's share registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;

(vi) Shareholders and the investment community may at any time make a request to the Company Secretary or the contacts for investor relationship of the Company in writing for the Company's information to the extent such information is publicly available. The contact details are set out under the "Contact Us" section of the Company's website at www.fullshare.com; and

(vii) publicly available news and information about the Company can also be sent to the Shareholders who have subscribed to the notification service on the Company's website.

The Company complies with the notice period requirements for convening a general meeting under the Listing Rules, Articles of Association and other applicable rules and regulations. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the general meeting. The chairman of the general meeting answers questions from the Shareholders regarding voting by way of poll. Relevant announcement on the results of the vote by poll shall be made by the Company after the general meeting in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association, the Board shall, on the written requisition to the Board or the Company Secretary, of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, proceed to convene an EGM for the transaction of any matters specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting forward Proposals at a General Meeting

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an EGM for any matters specified in such written requisition.

Procedures for Proposing a Person for Election as a Director

Shareholders may elect any individual (the "**Candidate**") to be a Director by ordinary resolution. The Candidate for election is proposed by separate resolution put forward for Shareholders' consideration at general meetings.

According to Article 88 of the Articles of Association, any member who wishes to propose a Candidate (other than the member himself/herself) for election as a Director should observe the following nomination procedure:

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.

2. Obtain a notice signed by the Candidate stating his/her willingness to be elected.

3. Both notices shall be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

4. Should the notice of the general meeting for such election has been sent out, the period for lodgement of such notice shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is the seventh day before the date of such general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at www.fullshare.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

During the Year 2019, the Company has not made any changes to its Memorandum and Articles of Association. The updated version of the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company. Shareholders may refer to the Articles of Association for further details of their rights.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

On behalf of the Board

Ji Changqun
Chairman

Hong Kong, 31 March 2020

Report of the Directors

The board (the "**Board**") of directors (the "**Director(s)**") of Fullshare Holdings Limited (the "**Company**") presents the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Year 2019**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services and new energy business. Details of the principal activities of each of the principal subsidiaries of the Group are set out in note 54 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 67 to 68.

The Board has resolved not to declare a dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Friday, 29 May 2020, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 May 2020.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company (the "**Shareholder(s)**") as at 31 December 2018 and 2019 were as follows:

	2019 **RMB'000**	2018 RMB'000
Share premium	**17,190,894**	17,195,205
Contributed surplus	**82,603**	82,603
Accumulated losses	**(417,978)**	(453,160)
Total	**16,855,519**	16,824,648

Under the Companies Law, Cap. 22 of the Cayman Islands, the share premium is available for paying distributions or dividends to Shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business. The articles of association of the Company (the "**Articles of Association**") provides that an ordinary resolution passed by the Shareholders is required for any distribution out of the share premium account. In the opinion of the Directors, the reserves of the Company available for distribution comprise share premium, contributed surplus and retained profits.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2019 are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

There were no new ordinary shares of the Company (the "**Share(s)**") issued during the year ended 31 December 2019. Details of movement in the share capital of the Company during the year ended 31 December 2019 are set out in note 43 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year 2019 or subsisted at the end of the year, save for the Share Option Scheme (as defined below) as set out in the section headed "Share Option Scheme" of this report and any outstanding share options thereunder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the Company's repurchase of its own Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year 2019. All repurchased Shares were subsequently cancelled in October 2019.

Month of repurchase in the Year 2019	Number of Shares repurchased	Purchase consideration per Share		Aggregate consideration paid (before deduction of expenses)
		Highest	Lowest	
		HK$	HK$	HK$
September	23,670,000	0.212	0.208	4,980,540

Report of the Directors

SHARE OPTION SCHEME

The share option scheme was adopted by the Company which has been approved by the Shareholders at the Company's extraordinary general meeting held on 17 August 2018 (the "**Share Option Scheme**"). Under the Share Option Scheme, the Board shall be entitled to offer to grant share options to any eligible participant. The major terms of the Share Option Scheme are set out below:

(1) 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.

(2) Eligible participants include the official full-time employees who have passed the probation and rank a level of director（總監）and above, as well as other employees of the Group selected by the Board or the Shareholders at general meeting.

(3) The total number of Shares available for issue under the Share Option Scheme is 1,908,397,133 Shares, representing approximately 9.68% of the total issued share capital of the Company as at the date of this report. The aggregate value of Shares to be granted under the Share Option Scheme and Share Award Scheme (as defined below) shall not exceed HK$350 million (the "**HK$350 Million Limit**").

(4) The total number of Shares issued and to be issued upon exercise of share options granted and to be granted to any single eligible participant (other than a substantial Shareholder or an independent non-executive Director, or any of their respective associates) under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue on the date of grant. For share options granted or to be granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, the said limit is reduced to 0.10% of the total number of Shares in issue and HK$5 million in aggregate value based on the closing price of the Shares on the date of each grant. Any further grant of share options in excess of such limits is subject to Shareholders' approval at general meeting.

(5) A share option may be exercised within a period to be determined by the Board and no option may be exercised 10 years after the date of grant.

(6) Assuming all the conditions for exercise of the share options are fulfilled in accordance with the Share Option Scheme, the proportion of 20%, 20%, 20%, 20% and 20% of the share options may be exercised after the 12 months, 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

(7) The Share Option Scheme does not specify any consideration which is payable on the acceptance of a share option.

(8) The exercise price shall be equal to the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive trading days immediately preceding the date of grant; or (iii) the nominal value of the Shares.

(9) The Share Option Scheme will remain in force for a period of five(5) years commencing from 17 August 2018.

The following table sets out the movements in the share options during the Year 2019:

			No. of share options							
Share option holders	Date of grant	Outstanding as at 2019/01/01	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 2019/12/31	Vesting Period	Exercise price HK$	Exercise period
Director										
Ms. Du Wei	2018/12/14	3,348,200	–	–	(669,640)	–	2,678,560	2019/12/14 – 2023/12/13 [3]	2.56	2020/12/13 – 2028/12/13
Other employees	2018/12/14	73,437,600	–	–	(12,767,880)	(12,276,760)	48,392,960	2019/12/14 – 2023/12/13 [3]	2.56	2020/12/13 – 2028/12/13
Total		**76,785,800**	**–**	**–**	**(13,437,520)[1]**	**(12,276,760)[2]**	**51,071,520**			

Notes:

(1) A total of 13,437,520 share options cancelled according to the terms of the Share Option Scheme during the Year 2019.

(2) A total of 12,276,760 share options lapsed according to the terms of the Share Option Scheme during the Year 2019.

(3) 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% of the share options granted on 14 December 2018 can be exercised on 13 December 2019. Due to failure of fulfillment of certain exercise conditions, the first tranche share options were cancelled by the Company according to the terms of the Share Option Scheme on 13 December 2019. In respect of the outstanding share options, each 20% of the total share options will become exercisable from 13 December in the years 2020, 2021, 2022 and 2023 respectively subject to satisfaction of exercise conditions set out in the Share Option Scheme.

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.

SHARE AWARD SCHEME

The share award scheme was adopted by the Board on 7 July 2018 (the "**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.

The Share Award Scheme shall be valid for a term of 5 years commencing on the date of adoption. Pursuant to the Share Award Scheme, Shares will be acquired by the independent trustee at the cost of the Company and be held on trust for the selected grantees until the fulfillment of vesting conditions subject to the rules of the Share Award Scheme. Upon payment of consideration of the award shares are made, 60% and 40% of the award shares will be transferred to the selected grantees following the Company's instruction since the date falling the 24th and 36th month from the date of grant respectively. The total number of award shares granted or to be granted under the Share Award Scheme shall not in aggregate exceed 986,453,086 Shares, being 5% of the Company's total issued share capital as at the date of adoption. The grant of award shares is also subject to the HK$350 Million Limit. Eligible participants include the official full-time employees who have passed the probation and rank a level of senior manager （高級經理） and above, as well as other employees of the Group selected by the Board or the Shareholders at general meeting. The Board may from time to time at its absolute discretion select any eligible participants for participation in the Share Award Scheme as selected grantees and determine the number of award shares to be granted. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 7 July 2018.

Since the date of adoption and up to 31 December 2019, a total of 17,521,400 award shares have been purchased by the trustee under the Share Award Scheme, 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. The Company intends to hold the 17,521,400 award shares on trust and utilise for future award purpose pursuant to the Share Award Scheme.

The following table sets out the movements in the award shares during the Year 2019:

		No. of awarded shares							
Name of grantees	Date of grant	Outstanding as at 2019/01/01	Granted during the year	Vested during the year	Lapsed during the year	Outstanding as at 2019/12/31	Vesting period	Grant price HK$	Exercise period
Director:									
Ms. Du Wei	2018/12/14	663,700	–	–	(663,700)	–	2018/12/14 – 2019/12/13	1.28	N/A
Former Director:									
Mr. Shi Zhiqiang(1)	2018/12/14	796,500	–	–	(796,500)	–	2018/12/14 – 2019/12/13	1.28	N/A
Other connected award share grantees	2018/12/14	2,123,800	–	–	(2,123,800)	–	2018/12/14 – 2019/12/13	1.28	N/A
Remaining grantees	2018/12/14	13,716,200	–	–	(13,716,200)	–	2018/12/14 – 2019/12/13	1.28	N/A
Total		**17,300,200**	**–**	**–**	**(17,300,200)(2)**	**–**			

Notes:

(1) Mr. Shi Zhiqiang is a former Director in 2018, who was a connected award share grantee.

(2) A total of 17,300,200 award shares lapsed according to the terms of the Share Award Scheme during the Year 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2019, the Group's largest customer and five largest customers accounted for approximately 26.7% and 56.5% of the total sales for the year respectively.

During the Year 2019, the Group's largest supplier and five largest suppliers accounted for approximately 7.6% and 35.2% of the total purchases for the year respectively.

During the Year 2019, none of the Directors or any of their respective close associates nor any Shareholders which to the knowledge of the Directors own more than 5% of the total number of issued shares of the Company had any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the Year 2019 and up to the date of this report were:

Executive Directors:
Mr. Ji Changqun *(Chairman and CEO)*
Ms. Du Wei
Mr. Shen Chen (appointed on 23 October 2019)
Mr. Wang Bo (resigned on 23 October 2019)

Independent Non-Executive Directors:
Mr. Lau Chi Keung
Mr. Chow Siu Lui
Mr. Tsang Sai Chung

In accordance with the provisions of the Articles of Association, Mr. Lau Chi Keung and Mr. Tsang Sai Chung shall retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2019, 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 (the "**Listing Rules**") on the Stock Exchange, 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	43.31%
Ms. Du Wei	Beneficial owner	2,678,560[2]	0.01%

Notes:

1. As at 31 December 2019, 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 2,678,560 share options made 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 31 December 2019.

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

Magnolia Wealth

The table below sets out the interest of the Directors or chief executives of the Company in the share(s) of Magnolia Wealth, a holding company of the Company as at 31 December 2019:

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

China High Speed Transmission Equipment Group Co., Ltd. ("CHS")

The table below sets out the interest of the Directors or chief executives of the Company in the 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 31 December 2019:

Name of Director	Nature of interests	Number of issued 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 shares 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 31 December 2019.

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 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 31 December 2019:

Name of Director	Nature of interests	Number of issued 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 shares 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 31 December 2019.

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 31 December 2019.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year 2019 was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the Year 2019, save for the Share Option Scheme and Share Award Scheme as set out in the sections headed "Share Option Scheme" and "Share Award Scheme" of this report and any outstanding share options and award shares (if any) thereunder.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected and Continuing Connected Transactions" below and the related party transactions in note 55 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had, directly or indirectly, a material interest, subsisted at the end of the Year 2019 or at any time during the Year 2019.

MANAGEMENT CONTRACTS

No contract by which a person undertakes the management and administration of the whole or any substantial part of any business of the Company (except for service contracts of Directors or any person engaged in full-time employment of the Company) was entered into or existed during the Year 2019.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in note 55 to the consolidated financial statements also constituted connected transactions and/or continuing connected transactions under the Listing Rules. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules for the connected transactions and/or continuing connected transactions during the Year 2019. Details of the connected transactions and continuing connected transactions of the Group during the year which were required to be disclosed under Chapter 14A of the Listing Rules are set out below.

Connected Transactions

On 26 September 2018, 南京豐盛大族科技股份有限公司 (Nanjing Fullshare Dazu Technology Co., Ltd.*) ("**Fullshare Dazu**"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement (the "**Dazu Loan Agreement**") with 南京建工產業集團有限公司(Nanjing Jiangong Industrial Group Co., Ltd.*, formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd.*（南京豐盛產業控股集團有限公司）) ("**Nanjing Jiangong Industrial**"), pursuant to which, Nanjing Jiangong Industrial agreed to provide a loan in the principal amount of RMB970 million to Fullshare Dazu for a term of 3 years with an interest rate of 12% per annum. In consideration of Nanjing Jiangong Industrial agreeing to provide the loan under the Dazu Loan Agreement, Fullshare Dazu and Ma'anshan Project Companies (as defined in the announcement of the Company dated 26 September 2018), each a non-wholly owned subsidiary of the Company at the material time, entered into certain security documents (the "**Security Documents**", the Dazu Loan Agreement and the Security Documents collectively referred as to the "**Financing Arrangement**") with 中國東方資產管理股份有限公司江蘇省分公司 (Jiangsu Branch of China Orient Asset Management Co., Ltd.*) ("**China Orient Asset**") as security for repayment obligation of 南京賽擎科技有限公司 (Nanjing Saiqing Technology Co., Ltd.*) ("**Saiqing**") under an assignment agreement entered into amongst Nanjing Jiangong Industrial (as assignor), China Orient Asset (as assignee) and Saiqing (as debtor) (the "**Assignment Agreement**"), pursuant to which Nanjing Jiangong Industrial agreed to assign the loan owed by Saiqing to it to China Orient Asset for a consideration of RMB970 million. The Security Documents include (i) pledge agreements in respect of Fullshare Dazu's then 35% equity interests in Haixin (as defined in the announcement of the Company dated 26 September 2018) and certain asset held by Ma'anshan Project Companies; (ii) guarantee letters provided by each of the Ma'anshan Project Companies to assume joint liabilities with Saiqing under the Assignment Agreement; and (iii) account charge agreements entered into by each of the Ma'anshan Project Companies to secure the liabilities of Saiqing under the Assignment Agreement.

Nanjing Jiangong Industrial irrevocably undertook to Fullshare Dazu that if Fullshare Dazu suffers or may suffer any loss in relation to the Assignment Agreement (including but not limited to any claims or enforcement by China Orient Asset under the Security Documents), (i) the interest under the Dazu Loan Agreement shall cease to accrue and Fullshare Dazu can refuse to repay the principal amount and interest under the Dazu Loan Agreement and such shall not constitute a breach of the Dazu Loan Agreement; and (ii) after the amount of loss is determined, Fullshare Dazu can deduct the amount of loss from the principal amount and interest payable to Nanjing Jiangong Industrial under the Dazu Loan Agreement, the shortfall shall be compensated by Nanjing Jiangong Industrial to Fullshare Dazu and the surplus shall be paid by Fullshare Dazu to Nanjing Jiangong Industrial after all obligations of Fullshare Dazu and Saiqing under the Assignment Agreement have been fulfilled (the "**Nanjing Jiangong Industrial Undertaking**").

Having taken into account the capital needs for future development of the Ma'anshan Project (as defined in the announcement of the Company dated 26 September 2018) and other potential investment opportunities and the financing conditions in the PRC for property development companies, the Group agreed to enter into the Security Documents in consideration of Nanjing Jiangong Industrial agreeing to provide the loan under the Dazu Loan Agreement.

As at the date of the Financing Arrangement, Mr. Ji was the chairman of the Board, the chief executive officer, an executive Director and a controlling Shareholder of the Company, therefore he was a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Ji Changrong (the younger brother of Mr. Ji) directly and indirectly held over 50% voting power in Nanjing Jiangong Industrial. Therefore, Nanjing Jiangong Industrial was a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules. Accordingly, the transaction under the Financing Arrangement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at 30 December 2018, Fullshare Dazu has not received the principal amount of RMB970 million under the Dazu Loan Agreement. Therefore, Fullshare Dazu requested and the relevant parties agreed, on 30 December 2018, to provide the following counter-guarantees in respect of Fullshare Dazu and Ma'anshan Project Companies' liabilities under the Security Documents:

a) Mr. Ji has provided a personal guarantee (the "**Personal Guarantee**"), pursuant to which Mr. Ji unconditionally and irrevocably guarantees to Fullshare Dazu and Ma'anshan Project Companies that if Fullshare Dazu and/or any of Ma'anshan Project Companies suffers or may suffer any loss in relation to the Assignment Agreement (including but not limited to any claims or enforcement by China Orient Asset under the Security Documents), Mr. Ji shall indemnify Fullshare Dazu and/or Ma'anshan Project Companies (as the case may be) on demand against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by Saiqing to make due and punctual payment or in the due and punctual performance and observance of all other obligations under the Assignment Agreement including the principal amount and interest, liquidated damages, all of the expenses in relation to realisation of security interest and all such losses, costs and expenses suffered as a result of any default by Saiqing under the Assignment Agreement.

b) 南京龍津房地產開發有限公司 (Nanjing Longjin Property Development Co., Ltd.*) ("**Nanjing Longjin**"), a company incorporated under the laws of the PRC and is principally engaged in property development business, has entered into a guarantee letter (the "**Longjin Guarantee Letter**") in favour of Fullshare Dazu and Ma'anshan Project Companies pursuant to which it has agreed to provide joint and several guarantee to Fullshare Dazu and Ma'anshan Project Companies that it shall indemnify Fullshare Dazu and/or Ma'anshan Project Companies (as the case may be) against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by Saiqing to make due and punctual payment or in the due and punctual performance and observance of all other obligations under the Assignment Agreement including the principal amount and interest, liquidated damages, all of the expenses in relation to realisation of security interest and all such losses, costs and expenses suffered as a result of any default by Saiqing under the Assignment Agreement, and shall be liable to such liability under the Longjin Guarantee Letter with all of its assets, which includes 198 sets of commercial properties with aggregate gross floor area of 53,186 square meters.

On 29 March 2019, Fullshare Dazu entered into two share transfer agreements, pursuant to which Fullshare Dazu conditionally agreed to dispose of its (i) 35% equity interests in Haixin which have been pledged to China Orient Asset pursuant to the Security Documents (the "**35% Pledged Interests**") and assign the shareholder's loan of a principal amount of RMB400 million at a consideration of RMB43,076,923 and RMB423,672,876.71 respectively; and (ii) 30% equity interests in Haixin which have been pledged to the original vendor to secure payment obligation of Haixin in respect of a shareholder's loan extended by the original vendor to Haixin (the "**30% Pledged Interests**") at a consideration of RMB36,923,077, to a purchaser (the "**Purchaser**") which is an independent third party (the "**Disposal**"). Completion of the industrial and commerce registration in respect of the disposal of the 35% Pledged Interests took place on 7 January 2020. In Year 2019, the Group received the consideration in respect of the Disposal of the 35% Pledged Interests and 30% Pledged Interests and has been coordinating the industrial and commerce registration in respect of the Disposal of the 30% Pledged Interests. Since Ma'anshan Project Companies have ceased to be subsidiaries of the Company, their financial results had not been consolidated into the financial statements of the Group. In addition, pursuant to a supplemental agreement to the above-mentioned share transfer agreements, the Purchaser shall be entitled to and assume all the rights and liabilities as a shareholder of the Ma'anshan Project Companies from the date on which the Group received the consideration for the Disposal. The Group therefore considers the impact arising from the Security Documents in respect of the Assignment Agreement will be minimal.

As at the date of this report, the Nanjing Jiangong Industrial Undertaking, the Personal Guarantee provided by Mr. Ji and the Longjin Guarantee Letter provided by Nanjing Longjin continue to be in full force and effect, and Fullshare Dazu expects to terminate the Dazu Loan Agreement and the above-mentioned guarantee and undertaking when appropriate.

Details of the above transactions were set out in the announcements of the Company dated 26 September 2018, 31 December 2018 and 29 March 2019 and the annual report for the year ended 31 December 2018 respectively.

Continuing Connected Transactions

1. On 27 May 2015, the Company (as service provider) entered into a service agreement with each of Fullshare Group Pte. Ltd.*（豐盛集團私人有限公司）(“**Fullshare Singapore**”) (the “**Fullshare Singapore Service Agreement**”), Fullshare International (Australia) Pty. Ltd. (“**Fullshare Australia**”) (the “**Fullshare Australia Service Agreement**”), Fullshare International (Australia) Cairns Pty. Ltd. (“**Fullshare Cairns**”) (the “**Fullshare Cairns Service Agreement**”), Fullshare Industrial Holding Group (Australia) Cairns Pty Ltd ATF Fullshare Industrial Holding Group (Australia) Cairns Unit Trust (“**Fullshare CUT**”) (the ”**Fullshare CUT Service Agreement**”), Nanjing Construction Group (Australia) Whisper Bay Pty ATF Nanjing Construction Group (Australia) Unit Trust (“**NCGA**”) (the “**NCGA Service Agreement**”) and Nanjing Construction Group (Australia) Investment Management Pty Ltd ATF Nanjing Construction Group (Australia) Investment Management Unit Trust (“**NCGA Investment**”) (the “**NCGA Investment Service Agreement**”) (Fullshare Singapore, Fullshare Australia, Fullshare Cairns, Fullshare CUT, NCGA and NCGA Investment are collectively referred to as the “**Overseas Private Group**”), to regulate and provide the framework for the provision of the operation, administration and management services to be provided by the Group to the Overseas Private Group. The Fullshare Australia Service Agreement, NCGA Investment Service Agreement, Fullshare Cairns Service Agreement and Fullshare CUT Service Agreement were terminated in 2016. The relevant parties to each of the Fullshare Singapore Service Agreement and NCGA Service Agreement entered into a renewal agreement on 12 December 2017 (collectively the “**Renewal Service Agreements**”) respectively for an extension of the term to 31 December 2020.

   The annual caps for the continuing connected transactions contemplated under the Renewal Service Agreements for the financial years ended 31 December 2018 and 2019 and the financial year ending 31 December 2020 are set out as follows:

	For the year ended 31 December		**For the year ending 31 December**
	2018	**2019**	**2020**
	RMB’000	RMB’000	RMB’000
Fullshare Singapore Service Agreement	10,212	10,212	10,212
NCGA Service Agreement	2,940	2,940	2,940

The actual amounts of the transactions under the Renewal Service Agreements incurred for the year ended 31 December 2019 are listed below:

	For the year ended 31 December 2019 RMB'000
Fullshare Singapore Service Agreement	4,849
NCGA Service Agreement	988

Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules, who directly holds 100% equity interest in Fullshare Singapore. Therefore, Fullshare Singapore is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules.

NCGA is a wholly-owned subsidiary of Nanjing Jiangong Group Co., Limited*（南京建工集團有限公司）, which is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules. Therefore, NCGA is also an associate of Mr. Ji thus a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the Renewal Service Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the abovementioned continuing connected transactions were disclosed in the announcements of the Company dated 27 May 2015, 21 April 2016, 4 July 2016, 25 May 2017, 24 August 2017 and 12 December 2017 respectively.

2. The Company entered into a master agreement with Nanjing Jiangong Industrial on 17 August 2015, which has been subsequently renewed on 22 December 2017 for a term of 3 years to 31 December 2020 (the "**Renewal Master Agreement**"), pursuant to which the Company has agreed to provide, or procure its subsidiaries to provide, the green building services focusing on the technical design and consultant services and green management and services to Nanjing Jiangong Industrial.

   The annual caps for the continuing connected transactions contemplated under the Renewal Master Agreement for the financial years ended 31 December 2018 and 2019 and the financial year ending 31 December 2020 are set out as follows:

	For the year ended 31 December		**For the year ending 31 December**
	2018	**2019**	**2020**
	RMB'000	RMB'000	RMB'000
Technical design and consultant services	120,000	120,000	120,000
Green management and services	80,000	80,000	80,000
Total	200,000	200,000	200,000

The actual amounts of the transactions under the Renewal Master Agreement incurred for the year ended 31 December 2019 are listed below:

	For the year ended 31 December 2019 RMB'000
Technical design and consultant services	3,718
Green management and services	–
Total	3,718

Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules. Nanjing Jiangong Industrial is a connected person of the Company by virtue of being an associate of Mr. Ji under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Renewal Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the abovementioned continuing connected transactions were disclosed in the announcements of the Company dated 17 August 2015 and 22 December 2017, and the circular of the Company dated 13 October 2015 respectively.

Opinion from the independent non-executive Directors and auditor on the continuing connected transactions:

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions in relation to each of the Renewal Service Agreements and Renewal Master Agreement (collectively the "**Continuing Connected Transactions**") and confirmed that the Continuing Connected Transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Group were engaged to perform a review in respect of the Continuing Connected Transactions of the Group during the Year 2019 and confirmed that these transactions: (i) were approved by the Board; (ii) where applicable, in all material respects, were in accordance with the pricing policies of the Company; (iii) had been entered into, in all material respects, and in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the caps stated in the relevant announcements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executives of the Company, as at 31 December 2019, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares 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]	1,593,072,251 538,357,500	(L) (S)	8.08% 2.73%
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]	1,892,972,251 538,357,500	(L) (S)	9.61% 2.73%
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]	1,200,000,000	(L)	6.09%
Goldway Financial Corp. ("**Goldway**")	Interest of controlled corporation [5]	1,200,000,000	(L)	6.09%
Bank of China Group Investment Limited (中銀集團投資有限公司) ("**BOC Group Investment**")	Interest of controlled corporation [5]	1,200,000,000	(L)	6.09%
Bank of China Limited ("**BOC**") (中國銀行股份有限公司)	Beneficial owner [5]	1,200,000,000	(L)	6.09%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司) ("**Central Huijin**")	Interest of controlled corporation [5]	1,200,000,000	(L)	6.09%

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 Superb Colour and China Huarong Asset respectively on the Stock Exchange's website on 30 June 2017. Superb Colour has long position in 1,593,072,251 Shares and short position in 538,357,500 Shares. Fortune Innovation II Limited Partnership ("**Fortune Innovation**") has long position in 300,000,000 Shares.

   Superb Colour is a company incorporated in the BVI which is a wholly-owned subsidiary of China Huarong International Holdings Limited ("**China Huarong International**"). Fortune Innovation is a limited partnership in the Cayman Islands, whose general partner is Saturn Jade Group Limited ("**Saturn Jade**"). Saturn Jade is a company incorporated in the BVI and is a wholly-owned subsidiary of China Huarong International. China Huarong International, a company incorporated in Hong Kong, is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. ("**Huarong Real Estate**") and Huarong Zhiyuan Investment & Management Co., Ltd. respectively which in turn are wholly-owned subsidiaries of China Huarong Asset. As such, each of China Huarong International, Huarong Real Estate, and China Huarong Asset is deemed to be interested in the said Shares 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.

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 27 September 2019. BOC has long position in 1,200,000,000 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 1,200,000,000 Shares under the SFO.

   World Investments, in the capacity of an agent acting on behalf of BOC, is deemed to be interested in 1,200,000,000 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 1,200,000,000 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 31 December 2019.

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 as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2019.

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, and they will only be involved in the commercial property development business. As at 31 December 2019, the Controlling Shareholders were engaged in the development of a property project located in Wenchang in the PRC through an Excluded Company (as defined in the RTO Circular). Save for the Non-Competition Undertaking, as at 31 December 2019, 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 in the Year 2019. 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 in the Year 2019.

Save as disclosed above, as at 31 December 2019, 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.

BUSINESS REVIEW

Overview

The overview is set out in the “Management Discussion and Analysis” on pages 10 to 23 of this annual report.

Financial key performance indicators

During the Year 2019, the Group has recognised an increase in revenue (being one of the financial key performance indicators) of approximately RMB874,452,000 or 8% to approximately RMB11,163,103,000 (2018: RMB10,288,651,000). As the major contribution of revenue, the new energy segment has contributed approximately RMB9,869,788,000 or 88% to the Group’s revenue in Year 2019 (2018: RMB8,509,022,000). In addition, properties segment has contributed approximately RMB525,904,000 or 5% to the total revenue of the Group in Year 2019 (2018: RMB773,549,000). The revenue generated from tourism was approximately RMB371,624,000 or 3% of the Group’s revenue in Year 2019 (2018: RMB628,930,000). The revenue generated from healthcare, education and others was approximately RMB350,514,000 or 3% of the Group’s revenue in Year 2019 (2018: RMB366,224,000).

The net loss of the Group in the Year 2019 was approximately RMB2,844,118,000 while the net loss was approximately RMB3,062,457,000 in Year 2018. The net loss in the Year 2019 was mainly due to the fair value change in the financial instruments of which approximately RMB2,897,694,000 (2018: RMB3,636,828,000) represented the unrealised holding loss before tax arising on revaluation of listed equity investments which was non-cash in nature.

The Group’s financial position remained solid. The net assets of the Group decreased by RMB3,032,716,000 or 13% from approximately RMB23,900,537,000 in Year 2018 to approximately RMB20,867,821,000 in Year 2019. The Group generated a operating cash inflow of approximately RMB2,363,528,000 in Year 2019 (2018: operating cash inflow of approximately RMB209,278,000).

Revenue, net profit/loss, net assets and operating cash flow are selected by the Group as the indicators of assessment on the profitability and solvency of the Group. The analysis of these indicators can comprehensively summarise and evaluate the financial conditions and operating achievements of the Group.

Future Development

The future development is set out in the section headed “Prospect” under “Management Discussion and Analysis” on page 17 of this annual report.

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group conducts risk assessment and management measures from time to time to ensure its continuous future development. The Group attaches great attention to those factors that might affect its operation and will take appropriate actions to mitigate the potential impact. The Group has established the risk management committee and risk management working group to conduct risk control in various aspects including strategic development, investment decision, corporate operation and capital planning and closely monitor the potential risks and prepare its risk management plans accordingly. The summary of the Group's principal risks and relevant management is set out as follows.

Macro-economic environment

The Group is currently engaged in real estate business, holding financial assets mainly for the purposes of investment and development of healthcare tourism business in China. Changes in economic environment may result in unfavorable risks to its operating environment. In addition, the overall investment sentiment may also cause price fluctuation to the financial assets held by the Group.

Management's response: The Group will continue to pay attention to market conditions in accordance with its specific risk management policy and prudent investment strategy. The Group will also evaluate the risks and returns associated with the performance of currently-held financial products and operating businesses from time to time and adjust the investment portfolio according to actual market situation to further enhance the profitability of the Group.

Policy and financial impact

As our businesses are mainly concentrated in China, our results performance is affected by the policies implemented in China. In recent years, for the real estate industry, the Chinese government imposed home-purchase restrictions, adjusted the housing mortgage rate, tightened real estate credit policy and implemented other measures, which mainly regulated the assets management business in the financial market, aiming at restraining speculative real estate investments to stabilize the market.

Management's response: The Group keeps a close eye on policy changes. The current real estate projects of the Company are mainly commercial properties. The adjustment in policies mainly aims at residential property and has little impact on the Group. The Group will continue to monitor the government policy regarding the real estate and financial market, enhance assets management and flexibly adjust development strategies and financing means. Meanwhile, the Group will also constantly optimize its products structure, actively develop the healthcare tourism business and integrate the lifestyle and concept of leisure, vacation and health into real estate development to enhance the comfort level of its products and improve product sales and operation.

Market competition

Competition in both healthcare tourism market and real estate market in China is fierce, covering (including but not limited to) market flow, service, quality, design, brand, cost control and environment ancillary facilities. If the competitors of the Group keep on improving their products, it may bring negative impact to the overall profit performance of the Group.

Management's response: The Group strives to improve its products quality and cost control to provide a healthier, easier and handier lifestyle for customers and partners. At the current industry consolidation stage, the Group expects to effectively increase market demand for its products and services through precise positioning, effective risk control and continuous improvement of product and service quality.

Investment concentration risk

The investment segment of the Group mainly involves holding the shares in a Hong Kong-listed company, and the shares of such company were valued at approximately RMB645 million, representing nearly 3.1% of the Group's net assets. As such, the price change of such shares may have an impact on the investment segment and the Group's overall profitability.

Management's response: The Group will closely monitor the operation and the change in share price of the company in which it holds the shares, and will adjust the allocation of the investment portfolio in a timely manner. At the same time, the Group will also actively consider investment products which are beneficial to the Group to reduce the risks arising therefrom.

Changes in exchange rates

The current operating currency of the Group is RMB, but the financial assets held by the Group are mainly denominated in Hong Kong dollars, as a result of which, the respective assets value may be affected due to changes in exchange rates.

Management's response: The Group will keep track of the national monetary policies and global economic changes, evaluate the impact of exchange rate on the Group and closely monitor the financial instruments on the market that could hedge exchange rate exposure, so as to lower the impact of exchange rate fluctuation on the Group.

Report of the Directors

Key Relationships

(i) Employees

Human resources are regarded as irreplaceable capital of the Group, therefore the Group places great emphasis on the development and training of employees. The Group provides a relaxed work environment and enterprise atmosphere for its employees and builds a platform for them to achieve a success in career, thereby enable them to grow together with the Group. "Creating together with sharing" is the objective which the Company is always adhering to, and the Company has helped all its employees to achieve their value and ambitions.

The Company is committed to building a positive and healthy working environment, organising a variety of team activities. By integrating sports activities into various team activities, the Company is leading an active and healthy lifestyle, embodying fully the healthy concept of "Fullshare being belonging to us and health being belonging to oneself", and steadfastly become a practitioner of a healthy lifestyle. At the same time, the Group provides various training opportunities and a better development platform for its employees, motivates at the most its employees to achieve their self-value and provides a broad career stage and development room for all its employees.

In addition, the Group provides competitive remuneration and comprehensive welfare guarantee to its employees, giving monetary and spiritual reward, to those employees who have made outstanding contributions. The Group has also adopted the Share Option Scheme and the Share Award Scheme to recognise and motivate the contribution of the employees.

(ii) Suppliers

We have established long-term cooperation relationship with a number of suppliers, and strived to ensure that they are in compliance with our undertaking on quality and ethics. We require the suppliers to observe our undertaking on integrity. We have stringent requirements in suppliers selection and that they must satisfy the qualification requirements in qualification, capital, performance, etc. and pass our evaluation at different levels before entering into our qualified suppliers list.

(iii) Customers

Our diversified products target at different customer bases. From design to completion of ultimate products, we always consider the demand of our customers. No matter the emerging enterprises, parvenus who need social circles or consumers who focus on shopping experience, they can find strong resonance from our company products. Due to our marketing methods in focusing on the widespread and subdivided channels, we can access the most accurate population more easily. Through on-site exhibition, we enable each customer to clearly learn about the different complex we have brought, thereby achieving a win-win situation in sales.

Environmental Policies

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. Accordingly our establishment and operations shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2019 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC and Hong Kong.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "**Remuneration Committee**") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors, chief executive officer and five highest paid individuals in the Group for the year ended 31 December 2019 are set out in notes 13 and 14 to the consolidated financial statements respectively.

DONATION

During the Year 2019, with the mission of "Building Together for Prosperity and Enjoyment", the Group has been dedicated to giving back to society and accumulated achievements over the years. The Group's efforts to support the community have been acknowledged over the years.

During the Year 2019, the Group made charitable donations of approximately RMB616,000.

Further details will be set out in the Environmental, Social and Governance Report (the "**ESG Report**") to be published separately.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Stock Exchange and the Company as close as possible to, and in any event no later than three months after, the publication of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme maintained by the Group are set out in notes 2 and 11 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the Year 2019 and as at the latest practicable date prior to the issue of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has provided Directors with directors' liability insurance coverage to protect them from loss as a result of relevant legal proceeding against the Directors. The relevant permitted indemnity provision and the directors' liability insurance have been in force throughout the Year 2019 and as at the date of this report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group that have occurred since the end of the Year 2019 are set out in note 57 to the consolidated financial statements attached to this annual report.

AUDITOR

At the extraordinary general meeting of the Company held on 2 January 2019, Ernst & Young was removed as auditor of the Group and PricewaterhouseCoopers ("**PwC**") was appointed as auditor of the Group.

On 10 December 2019, PwC resigned as auditor of the Company and Baker Tilly Hong Kong Limited ("**Baker Tilly**") was appointed as auditor of the Company at the extraordinary general meeting of the Company held on 7 January 2020.

The consolidated financial statements for the year ended 31 December 2019 have been audited by Baker Tilly, who shall retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of Baker Tilly as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Ji Changqun
Chairman

Hong Kong, 31 March 2020

* *For identification purpose only*

天職國際

To the Shareholders of Fullshare Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fullshare Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 201, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill	
Refer to Note 21 (Goodwill) and Note 5(ii)(a) (Significant accounting judgements and estimates – Impairment of goodwill) to the consolidated financial statements. As at 31 December 2019, the Group's goodwill amounted to approximately RMB2,089 million. An impairment loss of RMB54 million is recognised during the year ended 31 December 2019. Management is required to assess goodwill impairment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. Management monitored the goodwill and compared the recoverable amount with the carrying amount of the relevant CGU as at 31 December 2019. The recoverable amount of CGU is determined by using value-in-use calculations based on future discounted cash flows. Significant judgements and estimates were made by management in the assessment about future business performance. The key assumptions adopted in the value-in-use calculations include revenue growth rate, operating margin and discount rate. We, therefore, consider impairment assessment on goodwill was an area of audit focus.	We understood and tested the processes and key controls of the Group over the assessment on the goodwill impairment; We obtained the relevant CGU's cash flow forecasts prepared by management for goodwill impairment and assessed the historical accuracy of management's forecasts by comparing the current year actual cash flows with the prior year cash flow forecasts; We considered management's estimation and challenged the appropriateness of key assumptions (such as revenue growth rate, operating margin and discount rate) adopted on in the value-in-use calculations by: • Comparing the revenue growth rate used in the five-year forecast period with the approved budget and market development of the relevant business and industry; • Comparing the operating margin with the Group's past performance, taking into consideration of market trends; and • Assessing the discount rate by considering weighted average cost of capital for the individual CGU and comparable companies in the open market, as well as considering territory specific factors, such as risk-free interest rate and debt ratio prevailing in relevant market. We evaluated management's assessment of the sensitivity of the Group's impairment model against reasonably possible changes around the key assumptions. Based on the procedures described, we consider the judgements and estimates made by management in respect of impairment assessment on goodwill were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Fair value measurement of financial instruments with significant inputs not based on observable market data (level 3)

Refer to Note 4 (Fair value estimation), Note 26 (Financial assets at fair value through profit or loss) and Note 27 (Financial assets at fair value through other comprehensive income) to the consolidated financial statements.

As at 31 December 2019, the balances of the Group's investments in unlisted financial instruments measured at fair value through profit or loss and at fair value through other comprehensive income amounted to approximately RMB3,537 million.

These unlisted financial instruments were valued with inputs not based on active market prices nor observable market data and were categorised as level 3 in the fair value hierarchy.

The fair values of level 3 financial instruments were determined through the application of valuation techniques. With assistance from external valuers, management has exercised significant judgements and estimates in identifying the appropriate valuation models and inputs including revenue growth rate, operating margin, discount rate, liquidity discounts, earnings multiples and recent transaction prices. We have therefore focused on this area.

We understood and tested management's procedures and key controls over the measurement of fair values in level 3 financial instruments;

We evaluated the competence, independence, capabilities and objectivity of the Group's external valuers;

We re-performed valuations on a sample basis to evaluate the valuation models and key inputs adopted by the Group including:

- Examining the contractual agreements and checking the calculation made by management and obtaining the investment confirmation to verify the existence and accuracy of each level 3 financial instruments;

- Comparing the revenue growth rate and operating margin to the forecast of future profits and historical data;

- Assessing the reasonableness of the discount rate by comparing cost of capital of comparable companies in the open market; and

- Evaluating the liquidity discounts, earnings multiples and recent transaction prices used by comparing with similar types of companies.

Based on the procedures above, we found the judgements and estimates made by management in measuring the fair values of level 3 financial instruments were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 3(iv) (Financial risk management – Credit risk), Note 5(ii)(c) (Significant accounting judgements and estimates – Impairment of financial assets) and Note 31 (Trade receivables) to the consolidated financial statements. As at 31 December 2019, the Group had approximately RMB3,014 million trade receivables and an impairment provision of approximately RMB548 million has been provided. Management applied significant judgements in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers and its ageing category. The expected credit loss rates are determined based on historical credit losses experienced from the past 48 months and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area because significant management judgements and estimates are applied in determining the provision for impairment of such balances.	We understood and tested key controls on a sample basis over management's policies, processes and controls over assessment on recoverability of trade receivables balance and determination of impairment provision; We assessed the appropriateness of the credit loss provisioning methodology used by the Group; For trade receivables assessed individually, we obtained management's assessment on the collectability (both amount and timing) of receivables balances. We corroborated against available evidences, include interviewing sales personnel, examining the correspondences with the relevant customers and inquiring the Group's internal legal counsel as to whether there are any dispute with customers; We challenged the assumptions used to determine the expected credit losses by considering cash collection performance against historical trends and current and forward-looking information such as the impact of macroeconomic factors on probability of default and loss given default based on our understanding of the industry and with reference to external data source; and We tested on a sample basis, the accuracy of management's ageing report of trade receivables by checking to sales invoices and other supporting documents. Based upon the above, we found that the judgements and estimates made by management in respect of the impairment provision were supportable by available evidence.

Key Audit Matter

Recoverability of loan receivables

Refer to Note 3(iv) (Financial risk management – Credit risk), Note 5(ii)(c) (Significant accounting judgements and estimates – Impairment of financial assets) and Note 28(i) (Loan receivables) to the consolidated financial statements.

As at 31 December 2019, the Group had approximately RMB3,368 million loan receivables and an impairment provision of approximately RMB614 million has been provided.

Management assessed the provision for impairment of loans receivables based on the expected credit loss model. The expected credit loss model involves significant management judgements and assumptions regarding the probability of default, loss given default, historical delinquency ratio of loans and interest, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the expected credit loss model, if applicable.

We focused on this area because significant management judgements and estimates are applied in determining the provision for impairment of such balances.

How our audit addressed the Key Audit Matter

We assessed management's assessment of provision for impairment of loans receivables by performing the following procedures:

- Understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of loans receivables, which relates to management's judgements and assumptions including significant increase in credit risk, criteria of defaults and forward-looking information;
- Carried out procedures, on a sample basis, to test the existence and accuracy of the aging of loans receivables applied in the expected credit loss model and as at the end of the reporting period;
- Involved a valuation expert to review the valuation methodology and approach adopted by management in the expected credit loss model;
- Evaluated the appropriateness of the key assumptions, such as delinquency ratio and collateral values used in the expected credit loss model with reference to the historical data and market economic data; and
- Re-performed management's calculation of collective impairment assessment which grouped together all the receivables with similar risk characteristics based on the probability of default, exposure at default, loss given default, forward-looking information and other significant factors taken into account in estimating the expected credit loss allowance.

Based on the procedures described above, we considered the methodology used, key assumptions, judgments and estimates applied in the impairment assessment of loans receivables were supportable by available evidence.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on these statements on 29 March 2019.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong,
Gao Yajun
Practising Certificate Number P06391

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	6.7(i)	**11,163,103**	10,288,651
Cost of sales and services	11	**(8,858,077)**	(8,320,984)
Gross profit		**2,305,026**	1,967,667
Selling and distribution expenses	11	**(504,746)**	(418,525)
Administrative expenses	11	**(918,625)**	(1,047,603)
Research and development costs	11	**(404,238)**	(347,707)
Net impairment losses on financial assets	3(iv)	**(510,068)**	(161,281)
Other income	9	**673,640**	809,718
Fair value changes in financial instruments	8	**(2,824,876)**	(3,555,856)
Other (losses)/gains – net	10	**(26,436)**	168,264
Operating loss		**(2,210,323)**	(2,585,323)
Finance costs	12	**(827,352)**	(948,747)
Share of results of joint ventures	23	**(252,047)**	(22,327)
Share of results of associates	24	**76,046**	14,369
Loss before tax		**(3,213,676)**	(3,542,028)
Income tax credit	15	**369,558**	479,571
Loss for the year		**(2,844,118)**	(3,062,457)
Other comprehensive (loss)/income for the year:			
Items that may be reclassified to profit or loss:			
– Exchange differences on translation of foreign operations		**(43,219)**	307,998
– Changes in the fair values of debt instruments at fair value through other comprehensive income		**(9,005)**	15,317
– Share of other comprehensive loss of associates		**(50,392)**	(54,535)
– Income tax relating to these items		**1,724**	(3,829)
Items that may not be reclassified to profit or loss:			
– Changes in the fair values of equity instruments at fair value through other comprehensive income		**49,477**	(212,261)
– Income tax relating to these items		**(43,701)**	11,250
Other comprehensive (loss)/income for the year, net of tax		**(95,116)**	63,940
Total comprehensive loss for the year		**(2,939,234)**	(2,998,517)

	Note	2019 RMB'000	2018 RMB'000
(Loss)/profit for the year attributable to:			
– Equity shareholders of the Company		**(2,874,192)**	(3,029,954)
– Non-controlling interests		**30,074**	(32,503)
		(2,844,118)	(3,062,457)
Total comprehensive (loss)/income for the year attributable to:			
– Equity shareholders of the Company		**(2,994,493)**	(2,949,363)
– Non-controlling interests		**55,259**	(49,154)
		(2,939,234)	(2,998,517)
Loss per share attributable to equity shareholders of the Company			
Basic loss per share	17	**RMB(0.146)**	RMB(0.154)
Diluted loss per share	17	**RMB(0.146)**	RMB(0.154)

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

Consolidated Statement of Financial Position

at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	18	**5,726,220**	5,311,773
Investment properties	19	**4,019,290**	4,103,960
Prepaid land lease payments	20(a)	**–**	1,148,500
Right-of-use assets	20(b)	**1,667,466**	–
Goodwill	21	**2,089,430**	2,043,033
Other intangible assets	22	**505,564**	586,623
Investments in joint ventures	23	**387,025**	1,060,904
Investments in associates	24	**1,724,784**	1,741,240
Financial assets at fair value through other comprehensive income	27	**3,443,298**	3,536,398
Financial assets at fair value through profit or loss	26	**588,517**	980,867
Loans receivables	28(i)	**48,217**	62,725
Other financial assets at amortised cost	28(iv)	**1,019,182**	967,255
Other receivables	28(iii)	**12,075**	127,381
Prepayments	32	**186,787**	35,659
Deferred tax assets	42	**570,453**	383,594
		21,988,308	22,089,912
Current assets			
Inventories	30	**2,588,785**	2,315,713
Prepaid land lease payments	20(a)	**–**	24,438
Trade receivables	31	**2,465,152**	4,634,278
Consideration receivables	28(ii)	**183,678**	342,480
Loans receivables	28(i)	**2,705,794**	2,484,263
Prepayments	32	**302,079**	614,779
Other receivables	28(iii)	**2,571,609**	988,205
Other financial assets at amortised cost	28(iv)	**254,050**	205,861
Income tax prepaid		**39,460**	88,155
Financial assets at fair value through other comprehensive income	27	**2,880,568**	1,368,456
Financial assets at fair value through profit or loss	26	**1,540,270**	6,371,646
Properties under development	33	**190,677**	932,837
Properties held for sale	34	**553,432**	718,528
Restricted cash	35	**2,731,254**	2,939,170
Cash and cash equivalents	35	**2,797,003**	2,536,801
Assets of disposal group classified as held-for-sale	36	**–**	1,401,181
		21,803,811	27,966,791

Consolidated Statement of Financial Position (Continued)

at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and bills payables	37	**6,090,338**	6,519,944
Other payables and accruals	38	**3,116,778**	3,177,494
Contract liabilities	7	**575,808**	413,432
Corporate bonds	40	**1,923,316**	–
Lease liabilities	20(c)	**39,808**	–
Bank and other borrowings	39	**5,199,030**	7,020,106
Income tax payable		**824,593**	833,814
Warranty provision	41	**216,868**	90,373
Deferred income		**23,944**	28,494
Liabilities of disposal group classified as held-for-sale	36	**–**	541,799
		18,010,483	18,625,456
Net current assets		**3,793,328**	9,341,335
Total assets less current liabilities		**25,781,636**	31,431,247
Non-current liabilities			
Corporate bonds	40	**498,437**	2,420,085
Bank and other borrowings	39	**2,531,387**	3,444,312
Derivative financial instruments	29	**59,952**	–
Deferred income		**185,189**	65,752
Lease liabilities	20(c)	**404,855**	–
Warranty provision	41	**97,164**	72,528
Deferred tax liabilities	42	**1,136,831**	1,528,033
		4,913,815	7,530,710
Net assets		**20,867,821**	23,900,537
Capital and reserves			
Share capital	43	**160,872**	161,084
Reserves	45	**17,447,686**	20,534,416
Equity attributable to equity shareholders of the Company		**17,608,558**	20,695,500
Non-controlling interests		**3,259,263**	3,205,037
Total equity		**20,867,821**	23,900,537

The consolidated financial statements on pages 67 to 201 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf.

Ji Changqun
Director

Shen Chen
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		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	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 as originally presented		161,084	422,833	17,372,163	508,195	31,777	–	(494,533)	(20,504)	(390,381)	(67,332)	6,468,134	23,991,436	3,212,263	27,203,699
Changes in accounting policies		–	–	–	–	–	–	–	8,628	–	–	(122,947)	(114,319)	(6,030)	(120,349)
Restated balances at 1 January 2018		161,084	422,833	17,372,163	508,195	31,777	–	(494,533)	(11,876)	(390,381)	(67,332)	6,345,187	23,877,117	3,206,233	27,083,350
Loss for the year		–	–	–	–	–	–	–	–	–	–	(3,029,954)	(3,029,954)	(32,503)	(3,062,457)
Other comprehensive (loss)/income for the year															
– Changes in fair values of debt instruments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	8,491	–	–	–	8,491	2,997	11,488
– Changes in fair values of equity instruments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(182,904)	–	–	–	(182,904)	(18,107)	(201,011)
– Share of other comprehensive loss of associates		–	–	–	–	–	–	–	(54,535)	–	–	–	(54,535)	–	(54,535)
– Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	309,539	–	309,539	(1,541)	307,998
Total comprehensive (loss)/income for the year		–	–	–	–	–	–	–	(228,948)	–	309,539	(3,029,954)	(2,949,363)	(49,154)	(2,998,517)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	47,205	47,205
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	56,020	56,020
Dividends approved in respect of previous year		–	–	(295,936)	–	–	–	–	–	–	–	–	(295,936)	–	(295,936)
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(60,267)	(60,267)
Transfer from retained earnings		–	–	–	154,108	–	–	–	–	–	–	(154,108)	–	–	–
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	5,000	5,000
Deemed contributions from shareholders	55(i)(vii)	–	–	–	–	–	–	98,940	–	–	–	–	98,940	–	98,940
Shares held for share award scheme	44	–	–	–	–	–	(35,258)	–	–	–	–	–	(35,258)	–	(35,258)
At 31 December 2018		161,084	422,833	17,076,227	662,303	31,777	(35,258)	(395,593)	(240,824)	(390,381)	242,207	3,161,125	20,695,500	3,205,037	23,900,537

		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	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 as originally presented		161,084	422,833	17,076,227	662,303	31,777	(35,258)	(395,593)	(240,824)	(390,381)	242,207	3,161,125	20,695,500	3,205,037	23,900,537
Changes in accounting policies	2.2	-	-	-	-	-	-	-	-	-	-	(30,754)	(30,754)	142	(30,612)
Restated balances at 1 January 2019		161,084	422,833	17,076,227	662,303	31,777	(35,258)	(395,593)	(240,824)	(390,381)	242,207	3,130,371	20,664,746	3,205,179	23,869,925
(Loss)/profit for the year		-	-	-	-	-	-	-	-	-	-	(2,874,192)	(2,874,192)	30,074	(2,844,118)
Other comprehensive (loss)/income for the year															
– Changes in fair values of debt instruments at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	(5,381)	-	-	-	(5,381)	(1,900)	(7,281)
– Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	(23,088)	-	-	-	(23,088)	28,864	5,776
– Share of other comprehensive loss of associates		-	-	-	-	-	-	-	(50,392)	-	-	-	(50,392)	-	(50,392)
– Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	(41,440)	-	(41,440)	(1,779)	(43,219)
Total comprehensive (loss)/income for the year		-	-	-	-	-	-	-	(78,861)	-	(41,440)	(2,874,192)	(2,994,493)	55,259	(2,939,234)
Acquisition of subsidiaries	48	-	-	-	-	-	-	-	-	-	-	-	-	26	26
Disposal of subsidiaries	49	-	-	-	(58,330)	-	-	-	-	-	-	-	(58,330)	(36,204)	(94,534)
Disposal of disposal group	36	-	-	-	-	-	-	-	-	-	-	-	-	57,553	57,553
Dividends to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	(30,002)	(30,002)
Disposal of other financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	1,122	-	-	(1,122)	-	-	-
Transfer from retained earnings		-	-	-	12,620	-	-	-	-	-	-	(12,620)	-	-	-
Capital contributions by non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	3,110	3,110
Partial disposal of interest in subsidiaries without loss of control	50	-	-	-	-	-	-	1,158	-	-	-	-	1,158	4,342	5,500
Shares repurchased during the year	43	(212)	-	(4,311)	-	-	-	-	-	-	-	-	(4,523)	-	(4,523)
At 31 December 2019		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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	47	**2,424,915**	437,654
Interest received		**–**	4,385
Income taxes paid		**(61,387)**	(232,761)
Net cash generated from operating activities		**2,363,528**	209,278
Cash flows from investing activities			
Interest received		**214,064**	489,300
Placement of pledged bank deposits		**(6,034,046)**	(9,483,754)
Withdrawals of pledged bank deposits		**6,243,467**	9,428,734
Investments in structured bank deposits		**(152,100)**	(947,000)
Withdrawals of structured bank deposits		**973,724**	110,000
Purchases of financial assets at fair value through other comprehensive income		**(26,998)**	(237,996)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**199,098**	80,182
Purchases of financial assets at fair value through profit or loss		**(1,500)**	(754,743)
Proceeds from disposal of financial assets at fair value through profit or loss		**215,332**	1,168,682
Purchases of items of property, plant and equipment		**(834,785)**	(557,142)
Proceeds from disposal of items of property, plant and equipment		**28,748**	62,815
Purchase of right-of-use assets regarding land use rights		**(82,389)**	–
Purchase of investment properties		**–**	(33,383)
Proceeds from disposal of investment properties		**145,499**	14,210
Additions of other intangible assets		**(4,647)**	–
Additions of prepaid land lease payments		**–**	(91,755)
Refundable deposit received		**–**	1,000,000
Acquisition of subsidiaries	48	**(60,240)**	(143,315)
Disposal of subsidiaries	49	**(57,866)**	(1,849)
Disposal of disposal group	36	**104,979**	–
Receipt of considerations receivables		**170,074**	149,216
Investments in joint ventures	23	**(167,000)**	–
Proceeds from disposal of joint ventures		**188,305**	–
Capital withdrawal from a joint venture		**392,279**	103,576
Investments in associates	24	**(4,000)**	(1,330,805)
Proceeds from disposal of associates		**31,549**	–
Other investment income received		**176,036**	132,938
Payment of refundable deposit for potential acquisitions		**–**	(14,385)
Purchase of other financial assets at amortised cost		**(33,087)**	(1,155,861)
Withdrawal of other financial assets at amortised cost		**–**	500,000
Receipts of government grants		**143,041**	–
Loans receivables granted		**(1,505,481)**	(5,196,376)
Receipt of loans receivables and other receivables		**1,050,695**	5,955,010
Net cash generated from/(used in) investing activities		**1,312,751**	(753,701)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Capital contributions by non-controlling interests		**3,110**	5,000
Proceeds from issue of corporate bonds	40	**–**	497,575
Payment on repurchase of shares	43	**(4,523)**	–
New bank and other borrowings raised		**5,535,419**	9,522,857
Repayments of bank and other borrowings		**(8,143,254)**	(10,913,046)
Capital element of lease rental paid		**(21,295)**	–
Interest element of lease rental paid		**(16,014)**	–
Dividends paid		**(30,002)**	(356,203)
Interest paid		**(742,151)**	(904,513)
Net cash used in financing activities		**(3,418,710)**	(2,148,330)
Net increase/(decrease) in cash and cash equivalents		**257,569**	(2,692,753)
Cash and cash equivalents at beginning of year		**2,536,801**	5,221,679
Effect of foreign exchange rate changes		**2,633**	33,132
Included in assets of disposal group classified as held-for-sale	36	**–**	(25,257)
Cash and cash equivalents at end of year		**2,797,003**	2,536,801

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 changed from Units 10-12, Level 43, Champion Tower, Three Garden Road, Central, Hong Kong to Unit 2805, Level 28, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, Hong Kong with effect from 1 September 2019. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**").

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 54 to the consolidated financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter. The Group is principally engaged in the following principal activities:

- Properties – invest, develop and sale of properties, and provision of construction related services;

- Tourism – hotel operations, sale of tourist goods and provision of related services;

- Investment and financial services – holding and investing in a variety of investments and financial products with potential or for strategic purposes including but not limited to listed and unlisted securities, bonds, funds, derivatives, structured and other treasury products; and rendering the investment and financial related consulting services;

- Healthcare, education and others – sale of healthcare and education products and provision of related services and sale of other products; and

- New energy – manufacture and sale of mechanical transmission equipment products.

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

The consolidated financial statements were approved for issue by the Board of Directors on 31 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16, Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to Hong Kong Accounting Standard ("HKAS") 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Hong Kong (IFRIC) Interpretation 23, Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 as disclosed in Note 2.2. The other amendments and interpretation described above are either currently not relevant to the Group or had no material impact on the Group's financial performance and position.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments listed below have been published but are not mandatory to be adopted for the year ended 31 December 2019 and have not been early adopted by the Group. The standards and amendments are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

- Amendments to HKFRS 10 and HKAS 28 on 'Sale or contribution of assets between an investor and its associate or joint venture', the effective date of the amendments have been deferred by the HKICPA
- Amendments to HKFRS 3 on 'Definition of a business', effective for the accounting period beginning on or after 1 January 2020
- Revised conceptual framework for financial reporting, effective for the accounting period beginning on or after 1 January 2020
- Amendments to HKAS 1 and HKAS 8 on 'Definition of Material', effective for the accounting period beginning on or after 1 January 2020
- New financial reporting standard, HKFRS 17, 'Insurance Contracts', effective for the accounting period beginning on or after 1 January 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies

This note explains the impact on the adoption of HKFRS 16, Leases, on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the year ended 31 December 2018, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.21.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.79%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to perform an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and Hong Kong (IFRIC) Interpretation 4 'Determining whether an Arrangement contains a Lease'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments as at 31 December 2018	327,288
Total future interest expense	(85,871)
Discounted using the lessee's incremental borrowing rate at the date of initial application	241,417
Less: Short-term leases that are not recognised as lease liabilities	(5,819)
Less: Low-value leases that are not recognised as lease liabilities	(3,210)
Less: Lease contracts entered into before 31 December 2018 and the leases not yet commenced on 31 December 2018	(40,617)
Add: Adjustments as a result of a different treatment of extension and termination options	60,225
Lease liabilities recognised as at 1 January 2019	**251,996**
Represented:	
– Current portion of lease liabilities	17,801
– Non-current portion of lease liabilities	234,195
	251,996

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the prepaid or accrued lease payments relating to that lease that were recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The following items were recognised upon the adoption of HKFRS 16 in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increase by RMB1,380,459,000
- Prepaid land lease payments – decrease by RMB1,172,938,000
- Lease liabilities – increase by RMB251,996,000
- Deferred tax asset – increase by RMB13,863,000

The net impact on retained earnings and non-controlling interests on 1 January 2019 were a decrease of RMB30,754,000 and an increase of RMB142,000 respectively.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity respectively.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method (see Note 2.6), after initially being recognised at cost in the consolidated statement of financial position.

2.5 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in joint ventures are accounted for using the equity method (see Note 2.6), after initially being recognised at cost in the consolidated statement of financial position.

2.6 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profit or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the other entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Equity accounting *(continued)*

Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.17.

2.7 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity shareholders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the shareholders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.8 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former shareholders of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Business combinations *(continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred;

- Amount of any non-controlling interest in the acquired entity; and

- Acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2.9 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the chief operating decision-maker are determined following the Group's major business and service lines.

2.11 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is Hong Kong dollars (HK$), Renminbi (RMB), US dollars (US$), Singapore dollars (SGD), Australian dollars (AUD) and European Monetary Unit (EUR) respectively. The consolidated financial statements are presented in RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non–monetary assets and liabilities such as equities at fair value through profit or loss ("FVPL") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Foreign currency translation *(continued)*

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position item are translated at the closing rate at the statement of financial position date;

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives, as follows:

Hotel properties	25 year
Freehold lands	Indefinite
Buildings	30-35 year
Plant and machinery	5-10 year
Furniture and fixtures	5 year
Motor vehicles and others	5 year

Freehold lands are stated at cost less any impairment losses and are not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.17).

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on disposal or retirement recognised in profit or loss in the year the asset is derecognised as the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at historical cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Investment properties

Investment properties are interests in lands and buildings, which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including related transaction costs and where applicable the borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at the end of each reporting period by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss and other comprehensive income as fair value gains or losses in investment properties.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For transfers from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve. For transfers from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2.14 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit ("CGU") level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Intangible assets (other than goodwill) *(continued)*

(i) Patents and technologies

Purchased patents and technologies are stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 5 to 15 years.

(ii) Customer relationship

Customer relationship is stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 10 years.

(iii) Research and development costs

All research costs are charged to profit or loss as incurred.

Development costs incurred on projects to develop new products are capitalised and deferred only when the following criteria are met:

- It is technically feasible to complete the products so that it will be available for use;
- Management intends to complete the products and use or sell it;
- There is an ability to use or sell the products;
- It can be demonstrated how the products will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the products are available; and
- The expenditure attributable to the products during its development can be reliably measured.

Development costs that do not meet the above criteria are expensed when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised using the straight-line method over the useful lives of the underlying products of 5 to 10 years, commencing from the date when the products are put into commercial production.

(iv) Licenses

Licenses are stated at cost less any impairment losses and are amortised on the straight-line method over their estimated useful lives of 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Prepaid land lease payments

Prepaid land lease payments mainly represent prepayments for land use right. These assets were carried at cost less accumulated amortisation and impairment losses. Prepaid land lease payments were initially stated at cost and are subsequently amortised on the straight-line method over the lease terms of 30-50 years.

2.16 Goodwill

Goodwill is measured as described in Note 2.8. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the CGU or groups of CGU to which the goodwill relates. Where the recoverable amount of the CGU or groups of CGU is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU or groups of CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

2.17 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs of disposal. A gain is recognised for any subsequent increase in fair value less costs of disposal of the disposal group, but not in excess of any cumulative impairment losses previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

2.19 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of leasehold lands, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, a lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases *(continued)*

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- Makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increase in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;

- Any lease payments made at or before the commencement date less any lease incentives received;

- Any initial direct costs, and

- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as Rental income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at FVPL or FVOCI, and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets that are measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets *(continued)*

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains – net", together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other (losses)/gains – net". Interest income from these financial assets is included in "Other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains – net" and impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented as a separate line item.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or losses as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Fair value changes in financial instruments" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets *(continued)*

(iv) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(v) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(iv) details how the Group determines whether there has been a significant increase in credit risk.

For financial instruments that have low risk of default at the end of the reporting period, except for receivables related to revenue, the Group assumes that there is no significant increase in credit risk since the initial recognition, on first stage, and measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk or credit impairment has occurred since the initial recognition of a financial instrument, on second stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Group recognises a loss allowance at an amount equal to lifetime expected credit losses.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3(iv) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.24 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 3(iv) for a description of the Group’s impairment policies.

2.25 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Pledged bank deposits and restricted bank deposits are excluded from cash and cash equivalents.

The cash and cash equivalents of a disposal group classified as held for sale are presented separately and included in “Assets of disposal group classified as held-for-sale”.

Restricted cash represents guarantee deposits held in a separate reserve account that is pledged to the bank for issuance of trade facilities such as bills payable and bankers’ guarantee and as security deposits under bank borrowing agreements or the monies held on trust for the customers. Such restricted cash will be released when the Group repays the related trade facilities, bank loans or trust money.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

The Group can buy back its own fully paid-up shares provided that: it has sufficient funding available; the buy-back leaves at least one remaining member; and the purchase and the manner in which the purchase is conducted are authorised by the Group either by the Articles or a shareholder's resolution. The directors must be satisfied that the Group will be able to pay its debts as they fall due in the ordinary course of business immediately after it pays for the share repurchase.

A buy-back has no effect on the authorised share capital of the Group, but shares which are bought back are generally treated as cancelled, and once the repurchase is complete, the Group's issued share capital is reduced by an amount equal to the par value of the repurchased shares.

A buy-back may be funded out of profits, the proceeds of a new share issue, out of share premium account or out of capital provided always that the Group will remain able to meet its debts as they fall due or a combination of these funding methods.

2.27 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non–current liabilities.

Trade and other payables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2.29 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Current and deferred income tax *(continued)*

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current income tax also includes the PRC land appreciation tax ("LAT") which is levied on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in the subsidiaries, associates and joint arrangements where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.30 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in other payables and accruals in the consolidated statement of financial position.

(b) Pension obligations

The People's Republic of China ("PRC") employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans. The non-PRC employees are covered by other defined-contribution pension plans sponsored by the government of their respective country of residence. The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. These subsidiaries are required to contribute certain fixed percentages of their payroll costs to the central pension scheme or the MPF Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme and the MPF Scheme.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: when Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.31 Share-based payments

Share-based compensation benefits are provided to employees via the Group's employee share option scheme and an employee share award scheme. Information relating to these schemes are set out in Note 44.

(i) Employee share option scheme

The fair value of options granted under the Group's employee share option scheme is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g. the Company's share price);

- Excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the Group over a specified time period); and

- Including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Employee share award scheme

The Group operates a restricted share award scheme to recognise the contributions by employees. The fair value of the employee services received in exchange for the grant of restricted shares is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the restricted shares granted:

- Including any market performance conditions;

- Excluding the impact of any service and non-market performance vesting conditions; and

- Including the impact of any non-vesting conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.31 Share-based payments *(continued)*

(ii) Employee share award scheme (continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of restricted share awards that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to other reserve.

The employee share trust is administered by an independent trustee and is funded by the Group's cash contributions and recorded as contributions to employee share trust, an equity component. The administrator of the employee share trust buys the Company's shares in the open market for the awards to employees.

2.32 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate, which represent the directors' best estimate of the expected cost and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

2.33 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under HKFRS 9, and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.34 Derivative financial instruments

Derivative financial instruments of the Group are separate derivative derived from the investment of financial assets, which are not designated as hedges.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit or loss on that day.

2.35 Revenue recognition

The Group manufactures and sells goods, develops and sells properties, and renders other services to its customers. Revenue are recognised when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws and rules that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue excludes value added taxes and is after deduction of any trade discounts.

(i) Sales of goods

Revenue from sales of goods directly to customers is recognised at the point that the control of the inventory have passed to the customer, which is usually at the date when the Group has delivered products to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.35 Revenue recognition *(continued)*

(ii) Sales of properties

The Group develops and sells residential properties in the PRC. Revenue is recognised at a point in time when the property is delivered to the customer, the customer has accepted the property in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(iii) Service income

The Group provides services to its customers at fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group recognises revenue from services over the period of time where the customer simultaneously receives and consumes the benefits provided by the Group or the Group has an enforceable right to payments for performance completed to date and the performance do not create an asset with an alternative use. Otherwise revenue was recognised at a point in time. For revenue recognised over the period of time, the Group measures the progress towards complete satisfaction of performance obligation on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by the Group. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

(iv) Rental income

Rental income is recognised in the profit or loss on a straight-line basis over the term of the lease. See Note 2.21 for further details.

(v) Dividend income

Dividend income are received from financial assets at FVPL and FVOCI. Dividend is recognised as "Other income" in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.35 Revenue recognition *(continued)*

(vi) Interest income

Interest income from financial assets at FVPL is included in "Fair value changes in financial instruments" in profit or loss.

Interest income on loans receivables and other financial assets at amortised cost calculated using the effective interest method is recognised as "Other income" in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the impairment losses).

(vii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods, properties or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(viii) Multiple performance obligations

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

(ix) Contract assets and contract liabilities

As agreed in the contracts, the customer pays fixed or variable amount based on a payment schedule. If the services or goods rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services or goods rendered, a contract liability is recognised. Any unconditional rights to consideration are presented separately as receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.36 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.37 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

2.38 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to companies within the Group with no future related costs are recognised as income of the period in which they become receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line method over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.39 Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the research and development project so that it will be available for use or sale;

- Management intends to complete the research and development project, and use or sell it;

- It can be demonstrated how the research and development project will generate economic benefits; there are adequate technical, financial and other resources to complete the development and the ability to use or sell the research and development project; and

- The expenditure attributable to the research and development project during its development phase can be reliably measured.

Other research and development expenditure that do not meet these criteria are recognised as an expense as incurred. Research and development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.40 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.40 Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.41 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (Note 39), loans receivables (Note 28(i)), corporate bonds (Note 40) and lease liabilities (Note 20(c)(i)). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (Note 39). Management monitors the interest rate exposures and will consider hedging significant interest rate exposures should the need arise. The Group is also exposed to cash flow interest rate risk relates to restricted cash and cash and cash equivalents carried at prevailing market rates. However, such exposure is minimal to the Group as these cash and cash equivalents are all short-term in nature.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate as stipulated by the People's Bank of China arising from the Group's RMB borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank and other borrowings, which is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

For variable-rate bank and other borrowings, if the interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2019 would have increased by approximately RMB8,436,000 (2018: RMB12,936,000).

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 28% (2018: 29%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 7% (2018: 4%) of costs were not denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to the translation of a foreign operation using a functional currency other than the presentation currency of the Group).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Foreign currency risk *(continued)*

	Increase/ (decrease) in RMB rate	(Increase)/ decrease in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2019			
If the HK$ weakens against the RMB	**5%**	**(155,441)**	**(22,866)**
If the HK$ strengthens against the RMB	**(5%)**	**155,441**	**23,866**
If the US$ weakens against the RMB	**5%**	**(15,836)**	**(1,567)**
If the US$ strengthens against the RMB	**(5%)**	**15,836**	**1,567**
If the EUR weakens against the RMB	**5%**	**(9,038)**	**–**
If the EUR strengthens against the RMB	**(5%)**	**9,038**	**–**
If the AUD weakens against the RMB	**5%**	**4,098**	**4,699**
If the AUD strengthens against the RMB	**(5%)**	**(4,098)**	**(4,699)**

	Increase/ (decrease) in RMB rate	(Increase)/ decrease in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018			
If the HK$ weakens against the RMB	5%	(103,607)	(142,006)
If the HK$ strengthens against the RMB	(5%)	103,607	142,006
If the US$ weakens against the RMB	5%	60,054	(8,461)
If the US$ strengthens against the RMB	(5%)	(60,054)	8,461
If the EUR weakens against the RMB	5%	(315)	–
If the EUR strengthens against the RMB	(5%)	315	–
If the AUD weakens against the RMB	5%	2,982	3,563
If the AUD strengthens against the RMB	(5%)	(2,982)	(3,563)

* Excluding retained earnings

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iii) Equity price risk

The Group's equity price risk is mainly 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 Hong Kong Stock Exchange and the NASDAQ Stock Market ("NASDAQ"). The Group closely monitors the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period. If the prices of the respective equity instruments had been 10% (2018: 10%) higher/lower, the loss after tax and other comprehensive loss after tax for the year ended 31 December 2019 would have decreased/increased by approximately RMB105,776,000 and RMB512,000 (2018: RMB323,515,000 and RMB29,251,000), respectively as a result of the changes in fair value of the equity instruments. The Group have diversified its investment portfolio in order to minimise the concentration of such equity price risk.

For the year ended 31 December 2019, loss of RMB2,890,173,000 (2018: RMB3,569,603,000) was recognised from its ownership in Zall Smart Commerce Group Ltd. ("Zall Group") (Note 26).

(iv) Credit risk

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

The credit risk on Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. Other than concentration of the credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has concentration of credit risks with exposure limited to certain counterparties and customers. As at 31 December 2019, trade receivables from five customers engaged in the new energy segment accounted for approximately 23% (2018: 46%) of the Group's trade receivables. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade receivables. The Group does not obtain collateral from customers or counterparties in respect of receivables.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties, which were approximately RMB225,494,000 (2018: RMB872,792,000) as at 31 December 2019. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the directors of the Company consider that the Group would recover any loss that may arise from the guarantees provided by the Group.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

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

- 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.

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

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

3 **FINANCIAL RISK MANAGEMENT** *(continued)*

(iv) **Credit risk** *(continued)*

(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 invoice date.

The Group adopted the ECL model, 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 adjusts the historical loss rates based on expected changes in these factors.

On that basis, the ECL provision as at 31 December 2019 and 2018 was determined as follows:

2019	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	More than 4 years RMB'000	Total RMB'000
ECL rate	2.97%	23.61%	44.35%	82.73%	100.00%	15.35%
Gross carrying amount under ECL model (excluding those debtors of which 100% loss allowances has been provided)	2,293,052	189,142	155,851	52,320	221,827	2,912,192
Loss allowances under ECL model	(68,156)	(44,649)	(69,125)	(43,283)	(221,827)	(447,040)
100% loss allowances specifically provided	(1,873)	(24,861)	(56,320)	(6,652)	(11,740)	(101,446)
Loss allowances	(70,029)	(69,510)	(125,445)	(49,935)	(233,567)	(548,486)
Net carrying amount	2,224,896	144,493	86,726	9,037	–	2,465,152

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) Trade receivables *(continued)*

2018	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 4 years RMB'000	More than 4 years RMB'000	Total RMB'000
ECL rate	1.89%	16.00%	24.28%	77.48%	100.00%	9.05%
Gross carrying amount under ECL model (excluding those debtors of which 100% loss allowances has been provided)	4,232,505	391,590	183,972	59,803	227,319	5,095,189
Loss allowances under ECL model	(79,927)	(62,662)	(44,668)	(46,335)	(227,319)	(460,911)
100% loss allowances specifically provided	(26,734)	(56,462)	(6,510)	(269)	(681)	(90,656)
Loss allowances	(106,661)	(119,124)	(51,178)	(46,604)	(228,000)	(551,567)
Net carrying amount	4,152,578	328,928	139,304	13,468	–	4,634,278

The movements of ECL provision for trade receivables during the years ended 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
ECL provision as at 1 January	**551,567**	576,098
Amounts restated through opening retained earnings on initial adoption of HKFRS 9	**–**	69,029
Provision for credit losses recognised in profit or loss	**15,998**	45,409
Receivables written off during the year as uncollectible	**(19,079)**	(7,782)
Transferred to disposal group classified as held-for-sale	**–**	(131,187)
ECL provision as at 31 December	**548,486**	551,567

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(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:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	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	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	5% – 30%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	30% – 100%

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

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

As at 31 December 2019 and 2018, the Group provided the ECL provision against financial assets at amortised cost (excluding trade receivables) as follows:

	ECL rate	Gross carrying amount RMB'000	ECL provision RMB'000	Carrying amount (net of provision for loss allowances) RMB'000
2019				
Loans receivables *(Note i)*	**18.24%**	**3,368,261**	**(614,250)**	**2,754,011**
Consideration receivables	**0.74%**	**185,046**	**(1,368)**	**183,678**
Other receivables *(Note ii)*	**16.45%**	**3,092,323**	**(508,639)**	**2,583,684**
Other financial assets at amortised cost	**0.03%**	**1,273,597**	**(365)**	**1,273,232**
		7,919,227	**(1,124,622)**	**6,794,605**

Note:

(i) The expected loss rate for loan receivables increased in a greater extent due to a significant increase in credit risk of certain borrowers since initial recognition.

(ii) At the time of disposal of the subsidiaries during the year, the management reassessed the collectibility of certain amounts due from these subsidiaries and considered these amounts were probably not recoverable. An impairment loss of approximately RMB405,239,000 was recognised, which was included in the calculation of the gain on disposal of disposal group. Accordingly, the expected loss rate for other receivables increased in a greater extent.

	ECL rate	Gross carrying amount RMB'000	ECL provision RMB'000	Carrying amount (net of provision for loss allowances) RMB'000
2018				
Loans receivables	4.39%	2,663,975	(116,987)	2,546,988
Consideration receivables*	18.37%	419,574	(77,094)	342,480
Other receivables	4.14%	1,163,793	(48,207)	1,115,586
Other financial assets at amortised cost	0.01%	1,173,188	(72)	1,173,116
		5,420,530	(242,360)	5,178,170

A lifetime expected credit losses has been provided for due to a significant increase in credit risk during the year ended 31 December 2018 since initial recognition.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

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

The movements of ECL provision for financial assets at amortised cost (excluding trade receivables) during the years ended 31 December 2019 and 2018 are as follows:

	Loans receivables RMB'000	Consideration receivables RMB'000	Other receivables RMB'000	Other financial assets at amortised cost RMB'000	Total RMB'000
Credit loss provision – HKAS 39	–	–	16,470	–	16,470
Opening credit losses provision as at 1 January 2018 – calculated under HKFRS 9	106,912	3,070	3,150	–	113,132
ECL provision at 1 January 2018	106,912	3,070	19,620	–	129,602
Provision for loss allowances recognised in profit or loss	10,075	74,024	31,701	72	115,872
Transferred to disposal group classified as held-for-sale	–	–	(3,114)	–	(3,114)
ECL provision as at 31 December 2018 and 1 January 2019	**116,987**	**77,094**	**48,207**	**72**	**242,360**
Provision for loss allowances recognised (reversed) in profit or loss	**497,263**	**(75,726)**	**72,240**	**293**	**494,070**
Uncollectible receivables written off during the year	**–**	**–**	**(17,047)**	**–**	**(17,047)**
Provision for loss allowances recognised in disposal group	**–**	**–**	**405,239**	**–**	**405,239**
ECL provision as at 31 December 2019	**614,250**	**1,368**	**508,639**	**365**	**1,124,622**

(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 credit losses from non-performance by these counterparties.

(d) Financial guarantee contracts

Management considered the internal credit risk of financial guarantee contracts that were performing as they have a low risk of default and the counterparties have a strong capacity to meet its contractual payment obligations in the near term, and thus the impairment provision recognised during the period was limited to 12 months expected losses. For years ended 31 December 2019 and 2018, no provision for loss allowance were recognised in profit or loss in relation to the financial guarantee contracts.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(v) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019			
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank and other borrowings	**5,875,084**	**2,180,919**	**410,930**	**8,466,933**
Corporate bonds	**2,163,897**	**599,695**	**–**	**2,763,592**
Trade and bills payables	**6,090,338**	**–**	**–**	**6,090,338**
Other payables and accruals	**3,116,778**	**–**	**–**	**3,116,778**
Lease liabilities *(Note)*	**59,009**	**393,080**	**92,364**	**544,453**
Financial guarantee contracts	**2,951,120**	**3,847,245**	**–**	**6,798,365**
	20,256,226	**7,020,939**	**503,294**	**27,780,459**

	2018			
	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings	7,380,079	3,242,089	607,237	11,229,405
Corporate bonds	164,873	2,847,431	–	3,012,304
Trade and bills payables	6,519,944	–	–	6,519,944
Other payables and accruals	3,177,494	–	–	3,177,494
Financial guarantee contracts	2,815,627	1,208,404	124,835	4,148,866
	20,058,017	7,297,924	732,072	28,088,013

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(v) Liquidity risk *(continued)*

The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties. Based on the expectations at the end of the reporting period, the Group considers that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases enterer into during the year. Under this approach, the comparative information is not restated. See Note 2.2.

(vi) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is calculated as a ratio of the sum of bank and other borrowings, corporate bonds to total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2019 **RMB'000**	2018 RMB'000
Bank and other borrowings *(Note 39)*	**7,730,417**	10,464,418
Corporate bonds *(Note 40)*	**2,421,753**	2,420,085
	10,152,170	12,884,503
Non-current assets	**21,988,308**	22,089,912
Current assets	**21,803,811**	27,966,791
Total assets	**43,792,119**	50,056,703
Gearing ratio	**23%**	26%

There is no material effect on the gearing ratio upon the adoption of HKFRS 16. Both total assets and total liabilities increased as a result of the recognition of right-of-use assets and lease liabilities on 1 January 2019. Comparative information is not restated under the retrospective approach on the initial adoption of HKFRS 16.

4 FAIR VALUE ESTIMATION

(i) Financial assets and liabilities

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 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.

(a) Fair value estimation

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 below:

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.

There were no transfers between level 1, level 2 and level 3 during the years ended 31 December 2019 and 2018.

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

(a) Fair value estimation (continued)

The following tables present the financial assets and liabilities that are measured at fair value at 31 December 2019 and 31 December 2018.

(i) Assets measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at FVOCI:				
– Listed equity investments	**473,556**	**–**	**–**	**473,556**
– Unlisted equity investments	**–**	**–**	**3,071,900**	**3,071,900**
– Bills receivables	**–**	**–**	**2,778,410**	**2,778,410**
Financial assets at FVPL:				
– Unlisted equity investments	**–**	**–**	**465,466**	**465,466**
– Listed equity investments	**829,383**	**–**	**–**	**829,383**
– Unlisted debt investments	**–**	**–**	**1,500**	**1,500**
– Structured bank deposits	**–**	**–**	**157,581**	**157,581**
– Trade receivables measured at FVPL	**–**	**–**	**86,340**	**86,340**
– Derivative financial instruments	**–**	**–**	**588,517**	**588,517**
Financial liabilities at FVPL:				
– Derivative financial instruments	**–**	**–**	**(59,952)**	**(59,952)**
	1,302,939	**–**	**7,089,762**	**8,392,701**
As at 31 December 2018				
Financial assets at FVOCI:				
– Listed equity investments	572,770	–	–	572,770
– Unlisted equity investments	–	–	2,966,293	2,966,293
– Bills receivables	–	–	1,365,791	1,365,791
Financial assets at FVPL:				
– Unlisted equity investments	–	–	472,580	472,580
– Listed equity investments	3,860,433	–	–	3,860,433
– Unlisted debt investments	–	–	485,071	485,071
– Contractual right in relation to a listed security	–	503,620	–	503,620
– Structured bank deposits	–	–	961,150	961,150
– Trade receivables measured at FVPL	–	–	551,057	551,057
– Derivative financial instruments	–	–	518,602	518,602
	4,433,203	503,620	7,320,544	12,257,367

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(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 instruments are included in level 1.

The fair value of contractual right in relation to a listed security was determined by using the discounted cash flow method with the key inputs of quoted market price and prevailing observable interest rates discounted at a rate that reflected the credit risk of the counterparty. The instrument is included in level 2.

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. 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. The Group's finance department includes a team that reviews the valuations performed by independent valuers for financial reporting purposes. Discussions of valuation processes and results were held between the finance department and the valuers at least once every six months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(continued)*

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

The following tables present the changes in level 3 items for the years ended 31 December 2019 and 2018:

	Financial assets at FVPL					Financial assets at FVOCI		Financial assets
	Unlisted equity investments	Trade receivables	Unlisted debt investments	Structured bank deposits	Derivative financial instrument	Unlisted equity investments	Bills receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2018	958,555	–	–	110,000	500,000	2,905,766	1,863,434	6,337,755
Acquisitions	–	558,300	454,751	947,000	–	5,000	1,382,219	3,347,270
Disposals	(536,228)	–	–	(110,000)	–	(2,151)	(1,895,179)	(2,543,558)
Transferred to disposal group classified as held-for-sale	–	–	–	–	–	(2,002)	–	(2,002)
Fair value gains/(losses) recognised in profit or loss	27,056	(7,243)	30,320	14,150	18,602	–	–	82,885
Fair value gains recognised in other comprehensive income	–	–	–	–	–	59,680	15,317	74,997
Exchange differences	23,197	–	–	–	–	–	–	23,197
At 31 December 2018 and 1 January 2019	**472,580**	**551,057**	**485,071**	**961,150**	**518,602**	**2,966,293**	**1,365,791**	**7,320,544**
Acquisitions	**–**	**–**	**1,500**	**152,100**	**46,617**	**99,654**	**1,421,624**	**1,721,495**
Disposals	**(15,788)**	**(464,052)**	**(518,112)**	**(973,724)**	**–**	**–**	**–**	**(1,971,676)**
Fair value (losses)/gains recognised in profit or loss	**(503)**	**(665)**	**33,041**	**18,055**	**23,298**	**–**	**–**	**73,226**
Fair value gains/(losses) recognised in other comprehensive income	**–**	**–**	**–**	**–**	**–**	**5,953**	**(9,005)**	**(3,052)**
Exchange differences	**9,177**	**–**	**–**	**–**	**–**	**–**	**–**	**9,177**
Closing balance at 31 December 2019	**465,466**	**86,340**	**1,500**	**157,581**	**588,517**	**3,071,900**	**2,778,410**	**7,149,714**

	Financial liabilities at FVPL	Financial liabilities
	Derivative financial instrument	Total
	RMB'000	RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–
Fair value losses recognised in profit or loss	(59,952)	(59,952)
Closing balance at 31 December 2019	(59,952)	(59,952)

4 FAIR VALUE ESTIMATION *(continued)*

(i) Financial assets and liabilities *(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 unobservable inputs to fair value
Financial assets at FVPL – Unlisted equity instrument – Derivative financial instrument – Trade receivables – Unlisted debt investment – Structured bank deposits	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	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 – Unlisted equity investments – Bills receivables	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	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) Sensitivity analysis

The sensitivity analysis below has been determined based on the change of rate of return in isolation used in the expected future cash flows that reflect the 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 year ended 31 December 2019 would have increased/decreased by approximately RMB5,955,000 (2018: RMB13,275,000) as a result of the changes in fair value of the financial assets.

(iii) Non-financial assets and liabilities

Refer to Note 19 for disclosures of investments properties that are measured at fair value.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that two (2018: two) of the Group's investment properties, shopping malls acquired and constructed in previous year, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time rather than through sale. Therefore, in measuring the Group's deferred tax liabilities on such investment properties, the Directors of the Company have determined that the presumption that the carrying amounts of such investment properties are recovered entirely through sale is rebutted. As at 31 December 2019, the carrying amount of such properties was RMB3,492,000,000 (2018: RMB3,443,000,000). For the remaining investment properties on which the presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to the LAT, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2019, the carrying amount of these properties was RMB527,290,000 (2018: RMB660,960,000).

(b) Principal or agent consideration for revenue

The Group offers a variety of travel related services including accommodation reservation services and ticketing services. Revenue is recognised when or as the control of the goods or services is transferred to the customer. The Group determines the presentation of its revenue by assessing whether it acts as the principal of the goods and services that are sold. The Group presents its revenue on a net basis when the Group acts as an agent with no control over the underlying goods and services and does not assume inventory risk. The Group presents its revenue on a gross basis when the Group assumes inventory risk and acts as a principal by pre-purchasing the hotel room nights or tickets from the travel service suppliers. The purchase payments to the travel suppliers are recorded as "Cost of sales and services" in profit or loss. The Group presents majority of its revenue on gross basis as the Group is primarily responsible for providing the underlying goods and services and the Group controls the goods or services provided by suppliers prior to its transfer to customers.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(ii) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below.

(a) Impairment of goodwill

The Group performs goodwill impairment assessment both annually and whenever there is an indication that a CGU to which goodwill has been allocated may be impaired. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB2,089,430,000 (2018: RMB2,043,033,000) with impairment loss of RMB54,000,000 (2018: RMB30,232,000) recognised during the year. Further details are given in Note 21 to the consolidated financial statements.

(b) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The carrying amounts of investment properties at 31 December 2019 was RMB4,019,290,000 (2018: RMB4,103,960,000). Further details, including the key assumptions used for fair value measurement are given in Note 19 to the consolidated financial statements.

(c) Impairment of financial assets

The ECL for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(iv) to the consolidated financial statements.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at the end of each reporting period.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(ii) Estimation uncertainty *(continued)*

(e) Estimation of fair value of non-listed equity investments

The Group holds non-listed equity investments classified as FVOCI or FVPL. The fair value of these investments is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions about expected future cash flow, expected recovery date and discount rates, etc. that are mainly based on market practice and industry knowledge existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in Note 4 to the consolidated financial statements.

(f) Current and deferred income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

6 OPERATING SEGMENT INFORMATION

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

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

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.

6 OPERATING SEGMENT INFORMATION *(continued)*

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, tax prepaid, restricted cash, cash and cash equivalents, deposits paid for potential acquisitions included in prepayments, consideration receivables and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

	For the year ended 31 December 2019					
	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	525,904	371,624	45,273	350,514	9,869,788	11,163,103
Fair value changes in financial instruments	–	–	(2,824,876)	–	–	(2,824,876)
Segment results	31,891	(34,851)	(3,222,296)	41,452	635,446	(2,548,358)
Reconciliation:						
Unallocated bank interest income *(Note 9)*						82,168
Gain on disposal of subsidiaries *(Note 10)*						39,098
Losses on disposal of associates *(Note 10)*						(5,093)
Gain on disposal of a joint venture *(Note 10)*						1,469
Gain on disposal of disposal group *(Note 10)*						28,237
Unallocated income and losses						86,922
Corporate and other unallocated expenses						(70,767)
Finance costs *(Note 12)*						(827,352)
Loss before tax						(3,213,676)
Segment assets	8,081,372	795,851	8,637,192	1,166,761	18,718,805	37,399,981
Reconciliation:						
Corporate and other unallocated assets						6,392,138
Total assets						43,792,119
Segment liabilities:	977,779	52,524	192,989	458,736	8,017,159	9,699,187
Reconciliation:						
Corporate and other unallocated liabilities						13,225,111
Total liabilities						22,924,298

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2019						
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:							
Share of results of joint ventures *(Note 23)*	(267,891)	–	–	–	15,844	–	(252,047)
Share of results of associates *(Note 24)*	90,793	(54)	–	(3,601)	(11,092)	–	76,046
Impairment loss on property, plant and equipment *(Note 18)*	–	–	–	–	8,003	–	8,003
Impairment loss on goodwill *(Note 21)*	–	–	54,000	–	–	–	54,000
Net (reversal of)/provision for impairment losses on financial assets *(Note 3(iv))*	(16,406)	1,368	528,828	–	–	(3,722)	510,068
Depreciation and amortisation *(Notes 18, 20 and 22)*	6,706	27,495	2,422	27,397	608,397	4,340	676,757
Investments in joint ventures *(Note 23)*	275,815	–	–	–	111,210	–	387,025
Investments in associates *(Note 24)*	1,369,102	20,069	–	159,812	175,801	–	1,724,784
Capital expenditure* *(Notes 18, 20 and 22)*	293,232	32,931	4,717	173,040	799,817	41,827	1,345,564

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2018					
	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	773,549	628,930	10,926	366,224	8,509,022	10,288,651
Fair value changes in financial instruments	–	–	(3,555,856)	–	–	(3,555,856)
Segment results	468,228	(50,562)	(3,220,116)	(47,193)	232,495	(2,617,148)
Reconciliation:						
Unallocated bank interest income *(Note 9)*						151,896
Gain on a bargain purchase recognised in acquisition of subsidiaries *(Note 10)*						7,667
Gain on disposal of subsidiaries *(Note 10)*						95,476
Losses on disposal of associates *(Note 10)*						(583)
Gain on disposal of a joint venture *(Note 10)*						248
Unallocated income and losses						(28,910)
Corporate and other unallocated expenses						(201,927)
Finance costs *(Note 12)*						(948,747)
Loss before tax						(3,542,028)
Segment assets	8,658,596	982,663	13,067,845	777,102	20,154,380	43,640,586
Reconciliation:						
Corporate and other unallocated assets						6,416,117
Total assets						50,056,703
Segment liabilities:	1,307,747	110,038	23,160	24,833	8,284,839	9,750,617
Reconciliation:						
Corporate and other unallocated liabilities						16,405,549
Total liabilities						26,156,166

6 OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2018						
	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare, education and others RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:							
Share of results of joint ventures *(Note 23)*	(50,478)	23,412	–	–	4,739	–	(22,327)
Share of results of associates *(Note 24)*	61,940	122	–	(55,738)	8,045	–	14,369
Impairment loss on goodwill *(Note 21)*	–	–	30,232	–	–	–	30,232
Net provision for impairment losses on financial assets *(Note 3(iv))*	10,087	1,431	10,812	307	62,116	76,528	161,281
Depreciation and amortisation *(Notes 18, 20 and 22)*	7,268	23,587	31,894	8,059	653,426	863	725,097
Investments in joint ventures *(Note 23)*	778,702	–	–	–	282,202	–	1,060,904
Investments in associates *(Note 24)*	1,289,054	20,122	–	218,885	213,179	–	1,741,240
Capital expenditure* *(Notes 18, 19, 20, and 22)*	190,940	9,997	12,431	8,733	650,197	5	872,303

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

(i) Revenue from external customers by locations of customers

	2019 **RMB'000**	2018 RMB'000
People's Republic of China ("PRC")	**7,798,746**	7,057,993
United States of America	**2,043,995**	1,807,691
Europe	**521,225**	459,020
Australia	**488,079**	427,277
Other countries	**311,058**	536,670
	11,163,103	10,288,651

(ii) Non-current assets by locations of assets

	2019 **RMB'000**	2018 RMB'000
PRC	**12,895,522**	11,973,304
Australia	**1,110,636**	1,072,937
United States of America	**154,886**	159,705
Other countries	**33,713**	23,602
	14,194,757	13,229,548

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

6 OPERATING SEGMENT INFORMATION *(continued)*

(iii) Changes in accounting policy

The adoption of HKFRS16 as described in Note 2.2 had increased segment assets and segment liabilities of the following segments at 31 December 2019:

	Unallocated – corporate RMB'000	Tourism RMB'000	Healthcare, education and others RMB'000
Segment assets	28,483	6,117	357,617
Segment liabilities	31,713	6,303	406,647

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the above items is not entirely comparable to the information disclosed in 2018.

Loss per share for the year ended 31 December 2019 was not significantly affected by the adoption of HKFRS 16.

(iv) Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A*	**2,980,529**	3,001,454
Customer B*	**1,224,934**	1,051,823

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

7 DISAGGREGATION OF REVENUE

(i) Revenue from contracts with customers

The Group derives the following major types of revenue in each of the below segment:

	2019 RMB'000	2018 RMB'000
Properties segment:		
– Property development and sales	269,673	482,025
– Gross fixed rental income received	231,342	221,296
– Provision of construction services	24,889	70,228
	525,904	773,549
Tourism segment:		
– Hotel operations	183,508	182,521
– Sale of tourist goods and provision of related services	188,116	446,409
	371,624	628,930
New energy segment:		
– Manufacture and sale of mechanical transmission equipment products	9,869,788	8,509,022
Investment and financial services segment:		
– Provision of investment and financial consulting services	45,273	10,926
Healthcare, education and other segments:		
– Provision of education services	306,355	247,095
– Sale of healthcare and other products and provision of related services	44,159	119,129
	350,514	366,224
	11,163,103	10,288,651

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

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition:		
– Recognised at a point in time	10,371,736	9,556,585
– Recognised over time	791,367	732,066
	11,163,103	10,288,651

(ii) Liabilities related to contracts with customers

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

	2019 RMB'000	2018 RMB'000
Contract liabilities related to:		
– Property development and sales	31,990	89,994
– Manufacture and sale of mechanical transmission equipment products	529,255	302,533
– Others	14,563	20,905
	575,808	413,432

7 DISAGGREGATION OF REVENUE *(continued)*

(ii) Liabilities related to contracts with customers *(continued)*

(a) Revenue recognised in relation to brought-forward contract liabilities

The following table shows the revenue recognised in the current reporting period that relates to brought-forward contract liabilities:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the balances of contract liabilities at the beginning of the year:		
– Property development and sales	74,156	372,087
– Manufacture and sale of mechanical transmission equipment products	135,904	450,216
– Others	34,240	15,169
	244,300	837,472

(b) Contracted amounts to be recognised in the future

The following table shows the contracted amounts to be recognised in the future:

	2019 RMB'000	2018 RMB'000
Expected to be recognised within one year	620,016	635,230

8 FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

	Note	2019 RMB'000	2018 RMB'000
Fair value losses in other financial assets at fair value through profit or loss	(i)	(2,869,499)	(3,521,358)
Fair value gains/(losses) in derivative financial instruments		44,623	(34,498)
		(2,824,876)	(3,555,856)

Note

(i) The fair value losses are mainly derived from the decrease of closing stock price of Zall Group, a listed equity investment of 949,224,000 (2018: 949,224,000) shares at 31 December 2019 and 2018.

9 OTHER INCOME

	Note	2019 RMB'000	2018 RMB'000
Bank interest income	(i)	**82,168**	151,896
Other interest income	(ii)	**241,785**	390,576
Dividend income		**154,236**	146,919
Management fees income	(iii)	**111,286**	67,811
Government grants	(iv)	**65,258**	42,990
Others		**18,907**	9,526
		673,640	809,718

Note

(i) Bank interest income is principally derived from restricted cash and cash and cash equivalents (Note 35).

(ii) Other interest income is principally derived from loans receivables and other financial assets at amortised cost (Note 28).

(iii) Management fees income consists of management fees income for leased shops, carparking fees income and other ancillary services income in relation to leases of properties.

(iv) Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line method over the expected useful lives of the related assets.

There are no unfulfilled conditions or contingencies attaching to these grants.

10 OTHER (LOSSES)/GAINS – NET

	Note	2019 RMB'000	2018 RMB'000
Gain on disposal of subsidiaries	49	**39,098**	95,476
Fair value gains of investment properties	19	**60,829**	103,997
Gain on a bargain purchase recognised in acquisition of subsidiaries		**–**	7,667
Losses on disposal of property, plant and equipment		**(39,399)**	(1,346)
Losses on disposal of associates		**(5,093)**	(583)
Loss on swap contracts		**(58,833)**	–
Gain on disposal of a joint venture		**1,469**	248
Gain on disposal of disposal group	36	**28,237**	–
Impairment losses of property, plant and equipment	18	**(8,003)**	–
Impairment losses of goodwill	21	**(54,000)**	(30,232)
(Provision for)/reversal of impairment losses of prepayments	32	**(43,123)**	3,573
Foreign exchange gains/(losses) – net		**47,770**	(5,340)
Others		**4,612**	(5,196)
		(26,436)	168,264

11 EXPENSES BY NATURE

	Note	2019 RMB'000	2018 RMB'000
Employee benefit expenses:			
Directors' remuneration	13		
– Fees		1,904	1,849
– Salaries, allowances and bonus		3,562	4,796
– Pension scheme contributions		100	118
		5,566	6,763
Other staff costs			
– Salaries and other benefits		1,684,714	1,543,649
– Pension scheme contributions		117,134	190,878
		1,801,848	1,734,527
		1,807,414	1,741,290
Other items:			
Cost of inventories sold		6,816,086	6,271,102
Depreciation of property, plant and equipment	18	539,740	606,774
Cost of properties sold		160,095	271,721
Advertising expenses		120,620	223,943
Office expenses		139,932	90,645
Amortisation of other intangible assets	22	85,706	85,949
Amortisation of prepaid land lease payments	20(a)	–	32,374
Depreciation of right-of-use assets	20(b)	51,311	–
(Reversal of)/provision for inventories write down		(58,450)	30,064
Expenses relating to short-term leases	20(c)	35,339	–
Expenses relating to leases of low-value assets	20(c)	5,494	–
Auditor's remuneration		6,750	7,500
Sundry taxes		44,350	49,691
Others *(Note)*		931,299	723,766
		10,685,686	10,134,819
Represented:			
– Cost of sales and services		8,858,077	8,320,984
– Selling and distribution expenses		504,746	418,525
– Administrative expenses		918,625	1,047,603
– Research and development costs		404,238	347,707
		10,685,686	10,134,819

Note: The "other expenses" items were mainly indirect production expenses, other consulting fees, rental expenses, technical service fees and public welfare donations.

12 FINANCE COSTS

	Note	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings		680,387	808,055
Interest on corporate bonds	40	165,072	164,979
Interest on lease liabilities	20(c)	16,014	–
Less: Interest capitalised	33	(34,121)	(24,287)
		827,352	948,747

13 DIRECTORS' REMUNERATION

(i) Directors' emoluments

The remuneration of each of the directors is set out below:

	Note	Fees RMB'000	Salaries, allowances and bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019					
Executive directors:					
Mr. Ji Changqun ("Mr. Ji")	(iii)	317	–	–	317
Ms. Du Wei		317	1,297	82	1,696
Mr. Shen Chen	(i)	61	278	5	344
Mr. Wang Bo	(ii)	258	1,987	13	2,258
Independent non-executive directors:					
Mr. Lau Chi Keung		317	–	–	317
Mr. Chow Siu Lui		317	–	–	317
Mr. Tsang Sai Chung		317	–	–	317
		1,904	3,562	100	5,566

13 DIRECTORS' REMUNERATION *(continued)*

(i) Directors' emoluments *(continued)*

The remuneration of each of the directors is set out below: *(continued)*

	Note	Fees RMB'000	Salaries, allowances and bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2018					
Executive directors:					
Mr. Ji	(iii)	308	–	–	308
Ms. Du Wei	(iv)	149	641	48	838
Mr. Shi Zhiqiang	(v)	160	1,582	55	1,797
Mr. Wang Bo		308	2,573	15	2,896
Independent non-executive directors:					
Mr. Lau Chi Keung		308	–	–	308
Mr. Chow Siu Lui		308	–	–	308
Mr. Tsang Sai Chung		308	–	–	308
		1,849	4,796	118	6,763

Note:

(i) Mr. Shen Chen was appointed as an executive director of the Company on 23 October 2019. His annual remuneration was RMB706,000.

(ii) Mr. Wang Bo resigned as an executive director on 23 October 2019. His annual remuneration was RMB2,605,000.

(iii) Mr. Ji is the chief executive and executive director of the Company.

(iv) Ms. Du Wei was appointed as an executive director of the Company on 7 July 2018.

(v) Mr. Shi Zhiqiang resigned as an executive director on 7 July 2018. His annual remuneration was RMB3,405,000.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration in both years.

(ii) Directors' retirement benefits and termination benefits

No director received or will receive any retirement benefits or termination benefits during the year (2018: Nil).

(iii) Consideration provided to third parties for making available of the directors' services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available of the directors' services (2018: Nil).

13 DIRECTORS' REMUNERATION *(continued)*

(iv) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with the directors

There is no loan, quasi-loan or other dealing arrangement in favour of the directors, controlled bodies corporate by and controlled entities with the directors (2018: Nil).

(v) Information about directors' interests in share options scheme

During the year ended 31 December 2018, the Group has adopted a share option scheme pursuant to which 3,348,200 share options were granted to Ms. Du Wei. No share option was exercised by Ms. Du Wei and 669,640 share options were cancelled during the year ended 31 December 2019. As at 31 December 2019, 2,678,560 (2018: 3,348,200) share options held by Ms. Du Wei were outstanding. Further details of share options scheme are set out in Note 44.

14 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2018: one director), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, bonuses, allowances and benefits in kind	12,270	14,888
Pension scheme contributions	210	174
	12,480	15,062

The bonus payments are discretionary and based on the performance of the individuals for the year and market trends.

The number of highest paid employees (excluding directors or chief executive) whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$3,000,001 to HK$3,500,000	3	–
HK$3,500,001 to HK$4,000,000	–	4
HK$4,000,001 to HK$4,500,000	1	–
	4	4

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to the directors, chief executive or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15 INCOME TAX CREDIT

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

	Note	2019 RMB'000	2018 RMB'000
Current tax – charge for the year			
– PRC		**215,406**	210,884
– Hong Kong		**16,761**	11,625
– Australia		**825**	1,477
– Singapore		**–**	591
Current tax - under/(over-) provision in respect of prior years		**1,261**	(62,541)
Deferred tax	42	**(603,811)**	(641,607)
		(369,558)	(479,571)

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

PRC CIT has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries, except for those subsidiaries as listed below, for the year ended 31 December 2019.

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

Name of company	Year end during which approval was obtained	Year ended during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. （南京高速齒輪製造有限公司） ("**Nanjing High Speed**")	31 December 2017	31 December 2019
Nanjing High Speed & Accurate Gear (Group) Co., Ltd. （南京高精齒輪集團有限公司）	31 December 2017	31 December 2019
Nanjing High Accurate Rail Transportation Equipment Co., Ltd. （南京高精軌道交通設備有限公司）	31 December 2017	31 December 2019
Jiangsu Green Capital Construction Design Institute Co., Ltd. （江蘇綠色都建建築設計研究院有限公司）	31 December 2017	31 December 2019

15 INCOME TAX 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 Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, with an exemption provided for property sales of ordinary residential properties if their appreciated 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 Mainland China are subject to income tax rates of 8.25% to 30% (2018: 8.25% to 30%) prevailing in the places in which these enterprises operated for the year ended 31 December 2019.

A reconciliation between income tax credit and accounting loss at applicable tax rates is as follows:

	2019 RMB'000	2018 RMB'000
Loss before tax	(3,213,676)	(3,542,028)
Tax at the statutory tax rate of 25%	(803,419)	(885,507)
Effect of different tax rates of subsidiaries operating in other jurisdictions and lower tax rate for specific provinces or enacted by local authorities	251,220	275,766
Effect of share of results of associates and joint ventures	40,578	1,990
Income not subject to tax	(125,191)	(98,903)
Expenses not deductible for tax	198,412	195,366
Tax losses utilised from prior years	(109,828)	(3,205)
Tax losses not recognised	82,168	68,811
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	14,649	3,624
Temporary differences not recognised	24,545	10,447
Provision for LAT	50,000	31,751
Tax effect for LAT	(12,500)	(7,437)
Deferred tax on LAT in respect of investment properties	–	(2,004)
Additional deductible allowances for research and development expenses	(26,849)	(33,693)
Others	45,396	25,964
Under/(over)provision in respect of prior years	1,261	(62,541)
Income tax credit	(369,558)	(479,571)

16 DIVIDENDS

The final dividend of RMB295,936,000 in respect of the year ended 31 December 2017 was proposed by the Board of Directors on 29 March 2018, and subsequently approved at the annual general meeting on 25 May 2018 and recognised as distribution during the year ended 31 December 2018.

The Board of Directors has resolved not to declare a final dividend for the years ended 31 December 2019 and 2018.

17 LOSS PER SHARE

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

	2019	2018
	RMB'000	RMB'000
Loss for the purpose of calculating the basic and diluted loss per share	**(2,874,192)**	(3,029,954)
Weighted average number of ordinary shares in issue	**19,714,075,497**	19,728,331,673
Basic and diluted loss per share	**RMB(0.146)**	RMB(0.154)

There were no potential dilutive ordinary shares outstanding due to outstanding share options during both of the years ended 31 December 2019 and 2018. For the year ended 31 December 2019, weighted average number of ordinary shares in issue was adjusted for the share repurchase (Note 43). For the year ended 31 December 2018, weighted average number of ordinary shares in issue was adjusted for the acquisition of shares by trustee for the Group's share award scheme.

18 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Freehold lands and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018							
Cost	338,391	2,846,149	5,222,175	303,976	348,589	900,150	9,959,430
Accumulated depreciation and impairments	(37,919)	(480,294)	(3,302,763)	(201,468)	(242,257)	(30,408)	(4,295,109)
Net carrying amount	300,472	2,365,855	1,919,412	102,508	106,332	869,742	5,664,321
For the year ended 31 December 2018							
Opening net carrying amount	300,472	2,365,855	1,919,412	102,508	106,332	869,742	5,664,321
Additions	–	–	25,500	15,517	7,947	543,618	592,582
Transferred from properties under development *(Note 33)*	–	–	–	–	–	515,822	515,822
Acquisition of subsidiaries	–	–	117	316	514	–	947
Depreciation provided during the year *(Note 11)*	(14,635)	(93,669)	(438,948)	(23,781)	(35,741)	–	(606,774)
Disposals of subsidiaries	–	(90,510)	(2,730)	(136)	(20,403)	(26,274)	(140,053)
Transferred to disposal group classified as held-for-sale *(Note 36)*	–	(381,598)	(170,568)	(205)	(5,481)	(71,420)	(629,272)
Disposals	–	(62)	(29,357)	(293)	(2,436)	(32,013)	(64,161)
Reclassification	–	2,273	310,664	2,543	66,258	(381,738)	–
Exchange differences	(9,014)	(11,062)	(1,391)	238	(410)	–	(21,639)
Closing net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773
At 31 December 2018							
Cost	328,240	2,166,375	4,944,862	282,838	330,245	1,429,909	9,482,469
Accumulated depreciation and impairments	(51,417)	(375,148)	(3,332,163)	(186,131)	(213,665)	(12,172)	(4,170,696)
Net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Hotel properties RMB'000	Freehold lands and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019							
Cost	328,240	2,166,375	4,944,862	282,838	330,245	1,429,909	9,482,469
Accumulated depreciation and impairments	(51,417)	(375,148)	(3,332,163)	(186,131)	(213,665)	(12,172)	(4,170,696)
Net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773
For the year ended 31 December 2019							
Opening net carrying amount	276,823	1,791,227	1,612,699	96,707	116,580	1,417,737	5,311,773
Additions	8,418	151,605	576,580	20,572	62,601	15,009	834,785
Transferred from properties under development *(Note 33)*	–	–	–	–	–	12,706	12,706
Acquisition of subsidiaries *(Note 48)*	–	80,968	88,885	972	599	5,696	177,120
Depreciation provided during the year *(Note 11)*	(7,473)	(66,820)	(416,801)	(22,007)	(26,639)	–	(539,740)
Disposals of subsidiaries *(Note 49)*	–	–	–	(225)	(531)	–	(756)
Disposals	–	(7,502)	(53,947)	(4,372)	(2,326)	–	(68,147)
Exchange differences	1,888	3,740	352	452	53	(3)	6,482
Provision for impairments	–	–	–	–	–	(8,003)	(8,003)
Closing net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220
At 31 December 2019							
Cost	338,546	2,430,034	5,508,937	280,274	381,045	1,460,469	10,399,305
Accumulated depreciation and impairments	(58,890)	(476,816)	(3,701,169)	(188,175)	(230,708)	(17,327)	(4,673,085)
Net carrying amount	279,656	1,953,218	1,807,768	92,099	150,337	1,443,142	5,726,220

Depreciation of property, plant and equipment has been charged to profit or loss as follows:

	2019 RMB'000	2018 RMB'000
Cost of sales	**433,932**	377,313
Selling and distribution expenses	**3,505**	3,986
Administrative expenses	**87,402**	216,000
Research and development costs	**14,901**	9,475
	539,740	606,774

The Group was in the process of obtaining property certificates for buildings with carrying amount of RMB1,035,159,000 (2018: RMB1,010,766,000) at the end of the reporting period.

The freehold lands are located in the United State of America and Australia.

As at 31 December 2019, property, plant and equipment with carrying amount of RMB1,902,164,000 (2018: RMB1,114,262,000) were pledged as collateral for the Group's borrowings (Note 53).

19 INVESTMENT PROPERTIES

	Note	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		4,103,960	3,980,790
Additions		–	33,383
Fair value gains recognised in profit or loss	10	60,829	103,997
Disposals		(145,499)	(14,210)
Carrying amount at 31 December		4,019,290	4,103,960

For the year ended 31 December 2019, rental income and operating expense arising from leasing of investment properties are as follows:

	2019 RMB'000	2018 RMB'000
Fixed rental income received	231,342	221,296
Direct operating expenses from investment properties that generated rental income	(39,296)	(34,005)

The Group's investment properties consist of two shopping malls, five commercial properties and offices (2018: two shopping malls, five commercial properties and offices) in the PRC. The Group's investment properties were revalued on 31 December 2019 and 2018 based on valuations performed by Avista Valuation Advisory Limited ("Avista"), an independent professional qualified valuer on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

The investment properties are leased to independent third parties under operating leases, details of which are included in Note 52(i)(a) to the consolidated financial statements.

19 INVESTMENT PROPERTIES *(continued)*

As at 31 December 2019, the Group's investments properties with carrying amount of RMB3,938,321,000 (2018: RMB3,800,000,000) were mortgaged as collateral for the Group's borrowings (Notes 39 and 53) and connected person's borrowings (Note 55(iii)(a)).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2019			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
– Shopping malls	–	–	3,492,000	3,492,000
– Commercial properties	–	–	176,000	176,000
– Offices	–	–	351,290	351,290
	–	–	4,019,290	4,019,290

	31 December 2018			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
– Shopping malls	–	–	3,443,000	3,443,000
– Commercial properties	–	–	308,510	308,510
– Offices	–	–	352,450	352,450
	–	–	4,103,960	4,103,960

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 (2018: Nil).

19 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key-inputs to the valuation of investment properties:

Name of the investment properties	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018
Yuhua Salon（雨花客廳）A1 (certain units)	Term and reversion method	Estimated rental value (per sq.m. and per month)	**RMB66 to RMB128**	RMB67 to RMB129
		Long term vacancy rate	**0%**	0%
		Reversionary yield rate	**5.50% – 6%**	5% – 5.50%
Wonder City（虹悅城）	Discounted cash flow method	Estimated rental value (per sq.m. and per month)	**RMB176 to RMB299**	RMB176 to RMB299
		Rent growth (p.a.)	**3% to 5%**	3% to 5%
		Long term vacancy rate	**0%**	0%
		Discount rate	**9%**	9%
Nantong Youshan Meidi Garden Project/Huitong Building/Zhejiang Youshan Meidi Garden Project（南通優山美地花園項目/匯通大廈項目/鎮江優山美地花園項目）	Term and reversion method	Estimated rental value (per sq.m. and per month)	**RMB12 to RMB94**	RMB16 to RMB97
		Long term vacancy rate	**10%**	10%
		Reversionary yield rate	**4% – 5%**	3.50% – 5%
Epark Shopping Mall（雨花客廳）	Term and reversion method (2019)/ Discounted cash flow method (2018)	Estimated rental value (per sq.m. and per month)	**RMB11 to RMB630**	RMB12 to RMB735
		Rent growth (p.a.)	**N/A**	3% to 31%
		Long term vacancy rate	**0%**	0%
		Reversionary yield rate (2019)/discount rate (2018)	**11%**	9%
WanGuo（萬國物業）	Market approach	Price per sq.m.	**RMB5,800**	RMB5,700

If the rent growth rate increases/decreases by 3%, it would result in an increase/(decrease) in the fair value of the investment properties amounting to RMB8,620,500 and RMB11,494,000 respectively. If the discount rate increases/decreases by 0.50%, it would result in a (decrease)/increase in the fair value of the investment properties amounting to RMB965,000 and RMB724,000 respectively.

20(a) PREPAID LAND LEASE PAYMENTS

The cost of prepaid land lease payments and accumulated amortisation as at 31 December 2018 was RMB1,268,686,000 and RMB95,748,000 respectively. The carrying amount of prepaid land lease payments are reclassified to right-of-use assets at the date of initial application of HKFRS 16.

	Note	2018 RMB'000
Carrying amount at 1 January		1,187,972
Addition during the year		235,292
Transferred from properties under development	33	78,551
Disposal of subsidiaries		(114,163)
Transferred to disposal group classified as held-for-sale	36	(182,340)
Amortisation charges for the year	11	(32,374)
Carrying amount at 31 December		1,172,938
Net carrying amount represented:		
– Current portion		24,438
– Non-current portion		1,148,500
		1,172,938

The above prepaid land lease payments are land use rights located in the PRC. At 31 December 2018, the Group is in the process of obtaining land use rights certificates in respect of land use rights located in the PRC with carrying amount of RMB507,259,000.

As at 31 December 2018, prepaid land lease payments with carrying amount of RMB128,756,000 were secured as collateral for the Group's borrowings (Note 53).

The amortisation of prepaid land lease payments has been charged to profit or loss as follows:

	2018 RMB'000
Cost of sales	30
Selling and distribution expenses	9
Administrative expenses	32,335
	32,374

20(b) RIGHT-OF-USE ASSETS

	Leasehold buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
At 1 January 2019 upon adoption of HKFRS 16			
Cost	207,521	1,268,686	1,476,207
Accumulated depreciation	–	(95,748)	(95,748)
Net book amount	207,521	1,172,938	1,380,459
For the year ended 31 December 2019			
Opening net book amount	–	–	–
Changes in accounting policy *(Note 2.2 (iv))*	207,521	1,172,938	1,380,459
Additions	194,799	88,753	283,552
Acquisition of subsidiaries *(Note 48)*	–	45,460	45,460
Depreciation *(Note 11)*	(25,530)	(25,781)	(51,311)
Exchange difference	9,310	(4)	9,306
Closing net book amount	386,100	1,281,366	1,667,466
At 31 December 2019			
Cost	412,015	1,408,167	1,820,182
Accumulated depreciation	(25,915)	(126,801)	(152,716)
Net book amount	386,100	1,281,366	1,667,466

At 31 December 2019, the Group is in the process of obtaining certain land use rights certificates in respect of leasehold lands located in the PRC with a carrying amount of RMB505,365,000 (2018: RMB507,259,000).

As at 31 December 2019, right-of-use assets with carrying amount of RMB254,658,000 were secured as collateral for the Group's borrowings (Note 53).

The depreciation of right-of-use assets has been charged to administrative expenses in profit or loss.

20(c) LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to the leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Buildings	386,100	207,521
Leasehold lands	1,281,366	1,172,938
	1,667,466	1,380,459
Lease liabilities		
Current	39,808	17,801
Non-current	404,855	234,195
	444,663	251,996

20(c) LEASES *(continued)*

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Note	2019 RMB'000
Depreciation charges of right-of-use assets		
Leasehold buildings		25,530
Leasehold lands		25,781
	11	51,311
Interest expense (included in finance costs)	12	16,014
Expenses relating to short-term leases (included in cost of sales and services and administrative expenses)	11	35,339
Expenses relating to leases of low-value assets that are not included in short-term leases (included in administrative expenses)	11	5,494
		108,158

The total cash outflow for capital element and interest element of leases rental paid during the year ended 31 December 2019 was RMB37,309,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various leasehold lands and buildings. Rental contracts are typically made for fixed periods of 1 year to 30 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of properties leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

21 GOODWILL

	Note	RMB'000
Cost at 1 January 2018, net of accumulated impairment		2,047,674
Acquisitions of subsidiaries		41,957
Transferred to disposal group classified as held-for-sale	36	(2,991)
Impairment losses recognised during the year	10	(30,232)
Exchange differences		(13,375)
Net carrying amount at 31 December 2018		2,043,033
Cost at 1 January 2019, net of accumulated impairment		**2,043,033**
Acquisitions of subsidiaries	48	**97,666**
Impairment losses recognised during the year	10	**(54,000)**
Exchange differences		**2,731**
Net carrying amount at 31 December 2019		**2,089,430**
At 31 December 2019		
Cost		**2,173,662**
Accumulated impairment		**(84,232)**
Net carrying amount		**2,089,430**

Note

(i) Impairment testing of goodwill

After a series of acquisitions, the Group formed certain diversified operations, including manufacturing and selling of mechanical transmission equipment products in the PRC, provision of investment and financial consulting services in Hong Kong, and provision of education services in Australia. The Group monitors the results of these businesses separately for the purpose of making decision about resources allocation and performance. Goodwill acquired through these acquisitions is allocated to the following CGUs for impairment testing:

- New energy CGU;
- Investment and financial consulting services CGU; and
- Education CGU

(a) New energy CGU

At 31 December 2019, the recoverable amount of the new energy CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.18% (2018: 12.18%). The growth rate used to extrapolate the cash flows of the new energy CGU beyond the five-year period is 3% (2018: 3%), which was the same as the long term average growth rate of the gear products industry.

Based on the assessment, no goodwill as at 31 December 2019 and 2018 was impaired and there was headroom available as at 31 December 2019. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective CGU.

21 GOODWILL *(continued)*

Note (continued)

(i) Impairment testing of goodwill *(continued)*

(b) Investment and financial consulting services CGU

At 31 December 2019, the recoverable amount of investment and financial consulting service CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.30% (2018: ranging from 16.80% to 18.30%). The growth rate used to extrapolate the cash flows of investment and financial consulting services CGU beyond the five-year period is 3% (2018: 3%), which was the same as the long term average growth rate of the industry.

During the year ended 31 December 2019, the Group recognised an impairment loss of RMB54,000,000 (2018: RMB30,232,000) in relation to goodwill of investment and financial consulting services CGU. Since the competition of the industry was keen and the business was adversely affected by the economic downturn, the operating performance and the growth rate were below the expectation, which resulted in a continuous operating loss. In addition, the expected synergy effect with the Group's other business did not happen. Accordingly, management provided impairment for both years ended 31 December 2019 and 2018. Any adverse change in the assumption used in the calculation of recoverable amount would result in further impairment losses.

(c) Education CGU

At 31 December 2019, the recoverable amount of education CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.39% (2018: 12.80%). The growth rate used to extrapolate the cash flows of education CGU beyond the five-year period is 1.30% (2018: 2%), which was the same as the long term average growth rate of the industry.

Based on the assessment, no goodwill as at 31 December 2019 and 2018 was impaired and there was headroom available as at 31 December 2019. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective CGU.

(ii) Summary of the allocation of goodwill

As at 31 December 2019, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education RMB'000	**New energy RMB'000**	**Investment and financial consulting services RMB'000**	**Total RMB'000**
Carrying amount of goodwill	**561,623**	**1,492,488**	**35,319**	**2,089,430**

As at 31 December 2018, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education RMB'000	New energy RMB'000	Investment and financial consulting services RMB'000	Total RMB'000
Carrying amount of goodwill	487,368	1,466,346	89,319	2,043,033

22 OTHER INTANGIBLE ASSETS

	Patents and technologies RMB'000	Deferred development costs RMB'000	Customer relationship RMB'000	Licenses RMB'000	Total RMB'000
At 1 January 2018					
Cost	215,030	730,331	540,000	12,106	1,497,467
Accumulated amortisation	(58,423)	(701,070)	(58,500)	(1,767)	(819,760)
Net carrying amount	156,607	29,261	481,500	10,339	677,707
For the year ended 31 December 2018					
Opening net carrying amount	156,607	29,261	481,500	10,339	677,707
Acquisition of subsidiaries	–	–	–	10,099	10,099
Disposals of subsidiaries	(11,545)	–	–	–	(11,545)
Transferred to disposal group classified as held-for-sale *(Note 36)*	(3,689)	–	–	–	(3,689)
Amortisation charge for the year *(Note 11)*	(16,475)	(14,436)	(54,000)	(1,038)	(85,949)
Closing net carrying amount	124,898	14,825	427,500	19,400	586,623
At 31 December 2018 and 1 January 2019					
Cost	156,489	650,522	540,000	22,205	1,369,216
Accumulated amortisation	(31,591)	(635,697)	(112,500)	(2,805)	(782,593)
Net carrying amount	124,898	14,825	427,500	19,400	586,623
For the year ended 31 December 2019					
Opening net carrying amount	124,898	14,825	427,500	19,400	586,623
Additions	4,647	–	–	–	4,647
Amortisation charge for the year *(Note 11)*	(16,033)	(14,825)	(54,000)	(848)	(85,706)
Closing net carrying amount	113,512	–	373,500	18,552	505,564
At 31 December 2019					
Cost	161,136	650,522	540,000	22,205	1,373,863
Accumulated amortisation	(47,624)	(650,522)	(166,500)	(3,653)	(868,299)
Net carrying amount	113,512	–	373,500	18,552	505,564

The amortisation of intangible assets has been charged to profit or loss as follows:

	2019 RMB'000	2018 RMB'000
Administrative expenses	**70,881**	71,513
Research and development costs	**14,825**	14,436
	85,706	85,949

23 INVESTMENTS IN JOINT VENTURES

	2019	2018
	RMB'000	RMB'000
Share of net assets	**387,025**	1,060,904

	Note	**2019**	2018
		RMB'000	RMB'000
At 1 January		**1,060,904**	1,967,578
Additional investments	(ii)	**167,000**	–
Loss of control in a subsidiary becoming a joint venture		**–**	177,506
Return of contributions from existing joint ventures	(iii)	**(392,279)**	(103,576)
Disposal of joint ventures	(i)	**(186,836)**	(1,002,752)
Share of (loss)/profit of joint ventures		**(247,432)**	3,997
Provision for impairments included in the share of results for the year		**(4,615)**	(26,324)
Exchange differences		**(9,717)**	44,475
At 31 December		**387,025**	1,060,904

Note

(i) During the year ended 31 December 2019, the Group disposed of its equity interest in Jiangsu An Rhonda Health Industry Development Co., Ltd. ("An Rhonda")（江蘇安朗達健康產業發展有限公司）to a third party, for a consideration of RMB177,505,000 and resulting in gain on disposal of RMB1,469,000. The consideration has been received in full in 2019.

During the year ended 31 December 2019, the Group disposed of its equity interest in Shandong Nengyuan Zhongzhuang Jituan Zhong Chuan Kuangyong Equipment Manufacturing Co., Ltd.（山東能源重裝集團中傳礦用設備製造有限公司）to a third party for a consideration of RMB10,800,000. The disposal resulted no gain nor loss. The consideration has been received in full in 2019.

During the year ended 31 December 2018, the Group disposed of its interest in Five Seasons Cultural Tourism Development Company Limited（五季文化旅遊發展有限公司）("Five Seasons Cultural") to a third party, for a consideration of RMB1,003,000,000 and resulting in a gain on disposal of RMB248,000. The first instalment of the consideration of RMB653,500,000 has been settled by offsetting the Group's principal and interest of borrowing from Five Seasons Cultural in June 2018. The residual consideration of RMB349,500,000 was included in the balance of consideration receivables as at 31 December 2018 (Note 28(ii)) and has been received in full in 2019.

(ii) During the year ended 31 December 2019, the Group purchased 30% equity interest of Lianyungang Shenfeng Property Company Limited（連雲港順豐房地產有限公司）from an independent third party for a consideration of RMB167,000,000.

(iii) In October 2019, the Group received a return of contributions of US$55,377,000 (equivalent to RMB392,279,000) from its joint venture, Fullshare Value Fund I L.P.

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(i) Summarised financial information for material joint ventures

Set out below are joint ventures of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name	Registered capital	Place of registration and business	Percentage of ownership or interest attributable to the Group	Principal activities	Carrying amount 2018	Carrying amount 2019
					RMB'000	RMB'000
Fullshare Value Fund I L.P. ("**FVF I L.P.**")	Registered capital of US$239,827,000	Hong Kong	50.39	Investment	778,702	100,652
Nanjing High Accurate construction Equipment Co., Ltd. (南京高精工程設備有限公司) ("**Nanjing Construction**")	Registered capital of RMB20,000,000	PRC	50.00	Metallurgical engineering and manufacturing	93,896	111,210
Lianyungang Shunfeng Property Company Limited (連雲港順豐房地產有限公司) ("**Liangyanggang Shunfeng**")	Registered capital of RMB378,000,000	PRC	30.00	Development and sale of properties, and provision of construction related services	–	175,163

The Group's shareholdings in the joint ventures are all indirectly held by the subsidiaries of the Company. Refer to related party transactions (Note 55) for the Group's transactions, and receivable and payable balances with the joint ventures.

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(i) Summarised financial information for material joint ventures *(continued)*

	FVF I L.P.		Nanjing Construction		Liangyanggang Shunfeng	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Note)		(Note)		
Current assets						
Cash and cash equivalents	**3**	161,399	**77,744**	90,461	**124,125**	–
Other current assets	**12,024**	3,304,789	**566,368**	608,638	**643,286**	–
Total current assets	**12,027**	3,466,188	**644,112**	699,099	**767,411**	–
Total non-current assets	**188,605**	184,796	**2,505**	2,938	**516**	–
Total current liabilities	**(886)**	(76,160)	**(424,198)**	(514,245)	**(184,050)**	–
Total non-current liabilities	**–**	(2,029,474)	**–**	–	**–**	–
Net assets	**199,746**	1,545,350	**222,419**	187,792	**583,877**	–
The Group's effective interest	**50.39%**	50.39%	**50.00%**	50.00%	**30.00%**	–
Carrying amount	**100,652**	778,702	**111,210**	93,896	**175,163**	–
Revenue	**17,574**	5,708	**452,278**	621,340	**564,687**	–
Income tax credit/(expense)	**16,759**	–	**(4,911)**	(10,500)	**(6,796)**	–
(Loss)/profit for the year	**(547,876)**	(100,173)	**34,627**	59,497	**27,209**	–
The Group's share of results for the year	**(276,074)**	(50,477)	**17,314**	29,749	**8,163**	–

(ii) Individually immaterial joint ventures

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019	2018
	RMB'000	RMB'000
		(Note)
Share of the joint ventures' loss for the year	**(1,450)**	(1,599)

23 INVESTMENTS IN JOINT VENTURES *(continued)*

(ii) Individually immaterial joint ventures *(continued)*

	2019 **RMB'000**	2018 RMB'000 (Note)
Aggregate carrying amount of the Group's investments in the other joint ventures	**–**	188,306

Note:

The joint ventures have initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMBNil relating to leases which were previously classified as operating leases under HKAS 17.

24 INVESTMENTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**1,523,176**	1,546,452
Goodwill on acquisition	**318,509**	314,693
Financial guarantees granted to an associate *(Note 51(iii))*	**23,559**	20,555
Provision for impairments	**(140,460)**	(140,460)
	1,724,784	1,741,240

	Note	**2019** **RMB'000**	2018 RMB'000
At 1 January		**1,741,240**	672,087
Additional investments	(i)	**4,000**	1,330,805
Share of profit of associates		**76,046**	60,829
Addition of financial guarantees granted to an associate		**16,461**	9,447
Disposal of associates	(ii)	**(36,642)**	(583)
Disposal of an associate in a subsidiary		**–**	(170,000)
Transferred to disposal group classified as held-for-sale *(Note 36)*		**–**	(60,886)
Share of other comprehensive loss of associates		**(50,392)**	(54,535)
Dividends received from associates		**(21,800)**	(10,282)
Provision for impairment included in share of result for the year		**–**	(46,460)
Exchange differences		**(4,129)**	10,818
At 31 December		**1,724,784**	1,741,240

Note

(i) During the year ended 31 December 2019, the Group purchased 40% equity interest in Zhejiang Lujing Shidai Investment management Co., Ltd（浙江綠境時代投資管理有限公司）from an independent third party for a consideration of RMB4,000,000.

(ii) During the year ended 31 December 2019, the Group disposed of its 10% equity interest in Shandong Energy Group Unitrust Finance Leasing Co., Ltd.（山東能源重裝集團恒信融資租賃有限公司）to an independent third party for a consideration of US$4,700,000 (equivalent to RMB31,549,000) and resulting in a loss on disposal of RMB5,093,000.

(iii) The associates have initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMBNil relating to leases which were classified as operating leases under HKAS 17.

24 INVESTMENTS IN ASSOCIATES *(continued)*

(i) Summarised financial information for material associates

Name	Issued shares/ Registered capital	Place of incorporation/ registration and business	Percentage of ownership or interest attributable to the Group	Principal activities	Carrying amount 2018 RMB'000	Carrying amount 2019 RMB'000
Changzhou Jiangheng Real Estate Development Co. Ltd. (常州江恒房地產開發有限公司) (“**Jiangheng**”)	Ordinary shares of RMB1,881,540,000	PRC	44.00	Property development	1,010,368	1,045,950
Hin Sang Group (International) Holding Co. Ltd. 衍生集團(國際)控股有限公司 (“**Hin Sang**”)	Ordinary shares of HK$109,350,000	Cayman Islands/ Hong Kong	22.86	Development and sale of healthcare products	195,392	145,030
Nanjing Jiansheng Real Estate Development Company Limited (南京建盛房地產開發有限公司) (“**Jiansheng**”)	Registered capital of RMB50,000,000	PRC	35.00	Property development	24,223	50,548
Zhongbang Finance Leasing (Jiangsu) Co., Ltd. (眾邦融資租賃(江蘇)股份有限公司) (“**Zhongbang Finance Leasing**”)	Registered capital of RMB500,000,000	PRC	37.21	Finance leasing	122,532	121,903
Yangzhou Hengfu Real Estate Development Co. Ltd. (揚州恒富房地產開發有限公司) (“**Hengfu**”)	Ordinary shares of RMB36,364,000	PRC	45.00	Property development	238,768	267,343

Refer to related party transactions (Note 55) for the Group's transactions, and receivable and payable balances with the associates.

Hin Sang is a company listed on SEHK (06893.SEHK). The fair value of the listed investment as at 31 December 2019 amounted to RMB145,030,000 (2018: RMB195,392,000).

24 INVESTMENTS IN ASSOCIATES *(continued)*

(i) Summarised financial information for material associates *(continued)*

	Hengfu		Jiangheng		Zhongbang Finance Leasing		Hin Sang		Jiansheng	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
								(Note)		(Note)
Current assets										
Cash and cash equivalents	**144,539**	283,040	**189,257**	170,405	**129**	370	**23,340**	85,664	**34,003**	243,813
Other current assets	**1,049,848**	2,122,557	**2,803,098**	3,250,766	**104,924**	156,003	**55,245**	41,253	**944,917**	1,661,938
Total current assets	**1,194,387**	2,405,597	**2,992,355**	3,421,171	**105,053**	156,373	**78,585**	126,917	**978,920**	1,905,751
Non-current assets	**136,558**	84	**108,967**	268	**277,948**	241,109	**498,501**	546,190	**14,735**	1,229
Current liabilities	**(506,152)**	(1,861,764)	**(890,025)**	(1,360,087)	**(55,393)**	(67,634)	**(157,717)**	(149,531)	**(849,233)**	(860,271)
Non-current liabilities	**(232,376)**	(15,000)	**(69,077)**	–	**–**	(550)	**(80,885)**	–	**–**	(977,500)
Non-controlling interest	**–**	–	**–**	–	**–**	–	**–**	(27,393)	**–**	–
Net assets	**592,417**	528,917	**2,142,220**	2,061,352	**327,608**	329,298	**338,484**	496,183	**144,422**	69,209
The Group's effective interest	**45.00%**	45.00%	**44.00%**	44.00%	**37.21%**	37.21%	**22.86%**	22.86%	**35.00%**	35.00%
The Group's share	**266,588**	238,013	**942,577**	906,995	**121,903**	122,532	**77,377**	113,427	**50,548**	24,223
Goodwill on acquisition	**755**	755	**103,373**	103,373	**–**	–	**207,671**	203,822	**–**	–
Exchange differences	**–**	–	**–**	–	**–**	–	**442**	18,603	**–**	–
Carrying amount before impairment	**267,343**	238,768	**1,045,950**	1,010,368	**121,903**	122,532	**285,490**	335,852	**50,548**	24,223
Impairment loss for investment in associate	**–**	–	**–**	–	**–**	–	**(140,460)**	(140,460)	**–**	–
Carrying amount	**267,343**	238,768	**1,045,950**	1,010,368	**121,903**	122,532	**145,030**	195,392	**50,548**	24,223
Revenue	**612,978**	689,825	**606,860**	142,618	**3,319**	36,739	**122,818**	158,993	**554,815**	511,352
Income tax expense	**–**	(48,568)	**(33,635)**	(8,992)	**(88)**	(3,586)	**(4,014)**	(2,375)	**(26,810)**	(7,302)
Profit/(loss) for the year	**63,500**	86,150	**80,868**	23,564	**(1,690)**	10,757	**131**	(553)	**75,211**	36,582
The Group's share	**28,575**	38,768	**35,582**	10,368	**(629)**	4,003	**30**	(126)	**26,324**	12,804
Impairment loss recognised for the year	**–**	–	**–**	–	**–**	–	**–**	(46,460)	**–**	–
The Group's share of results for the year	**28,575**	38,768	**35,582**	10,368	**(629)**	4,003	**30**	(46,586)	**26,324**	12,804

24 INVESTMENTS IN ASSOCIATES *(continued)*

(ii) **The following table illustrates the aggregate financial information of the Group's associates that are not individually material:**

	2019 RMB'000	2018 RMB'000
Share of the associates' loss for the year	(13,836)	(4,988)

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of the Group's Investments in other associates	94,010	149,957

25 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments as at the end of the reporting period:

	Note	2019 RMB'000	2018 RMB'000
Financial assets			
Restricted cash	35	2,731,254	2,939,170
Cash and cash equivalents	35	2,797,003	2,536,801
Consideration receivables	28(ii)	183,678	342,480
Loans receivables	28(i)	2,754,011	2,546,988
Trade receivables	31	2,465,152	4,634,278
Other receivables	28(iii)	2,583,684	1,115,586
Other financial assets at amortised cost	28(iv)	1,273,232	1,173,116
Financial assets at fair value through other comprehensive income	27	6,323,866	4,904,854
Financial assets at fair value through profit or loss	26	2,128,787	7,352,513
		23,240,667	27,545,786
Financial liabilities			
Corporate bonds	40	2,421,753	2,420,085
Bank and other borrowings	39	7,730,417	10,464,418
Trade and bills payables	37	6,090,338	6,519,944
Other payables and accruals	38	3,116,778	3,177,494
Lease liabilities	20(c)	444,663	–
Derivative financial instruments	29	59,952	–
		19,863,901	22,581,941

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

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.

(ii) Summary of financial assets at FVPL

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Unlisted equity investments		–	462,265
Derivative financial instruments	(ii), (vi)	588,517	518,602
		588,517	980,867
Current assets			
Listed equity investments	(iii)	829,383	3,860,433
Unlisted equity investments		465,466	10,315
Contractual right in relation to a listed security	(i)	–	503,620
Trade receivables measured at FVPL	(iv)	86,340	551,057
Unlisted debt investments		1,500	485,071
Structured bank deposits	(v)	157,581	961,150
		1,540,270	6,371,646
		2,128,787	7,352,513

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(ii) Summary of financial assets at FVPL *(continued)*

Note

(i) On 12 August 2016, the Group entered into an agreement with Xizang Ruihua Capital Management Co., Ltd.（西藏瑞華投資管理有限公司）(“Xizang Ruihua”) and Jiangsu Ruihua Investment Holdings Group Co., Ltd.（江蘇瑞華投資控股集團有限公司）to acquire certain income right of the restricted shares of Bohai Leasing Co., Ltd.（渤海租賃股份有限公司, 000415.SZSE), an entity listed on The Shenzhen Stock Exchange (“SZSE”), formerly known as Bohai Jinkong Investment Group Co., Ltd.（渤海金控投資股份有限公司,000415.SZSE) held by Xizang Ruihua. The investment was designated on initial recognition to be measured at fair value and was revalued on 31 December 2018 based on valuations at RMB503,620,000. During the year ended 31 December 2019, the unsettled amount of RMB525,000,000 was recognised as other receivable as the agreement expired in 2019.

(ii) On 31 August 2017, the Group entered into a limited partnership agreement with Ningbo Zhongbang Chanrong Holding Co., Ltd. (“Ningbo Zhongbang”) and Ningbo Jingbang Asset Management Co., Ltd. in respect of the establishment of an investment fund in the PRC named Shanghai Guiman Enterprise Management L.P. (the “Guiman Fund”). The Group is a limited partner and has invested RMB500,000,000 in the Guiman Fund. As mentioned in the investment agreement, the Group would not bear any losses of Guiman Fund and was guaranteed with an annualised return rate no less than 9% during the 3-year investment period. If the Group does not choose to withdraw from the partnership at the end of the 3-year investment period, the profit or loss attributable to the Group afterwards shall be negotiated separately.

The separate derivative derived from the investment in Guiman Fund was measured at FVPL because the investment income would be guaranteed by the other limited partner, Ningbo Zhongbang, due to the accumulated losses of Guiman Fund as at 31 December 2019 and 2018.

(iii) The balances as at 31 December 2019 and 2018 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 SEHK on that date. The directors of the Company consider that the closing prices of these securities are the fair values of these investments.

	2019 **RMB'000**	2018 RMB'000
Zall Group (2098.SEHK)	**645,482**	3,542,707
C&D International Investment Group Limited (1908.SEHK)	**145,142**	234,646
China Saite Group Company Limited (153.SEHK)	**26,877**	66,219
Medicskin Holdings Limited (8307.SEHK)	**11,882**	16,861
	829,383	3,860,433

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(ii) Summary of financial assets at FVPL *(continued)*

Note (continued)

(iv) Trade receivables measured at FVPL

On 3 September 2018, the Group entered into two agreements with a bank to sell all of its eligible trade receivables and all right, title, interest and benefit 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 the bank, at a cost of discount calculated based on the base rate and number of days for early payment as specified in the agreements.

At 31 December 2019, trade receivables that are held solely for selling purpose of RMB86,340,000 (2018: RMB551,057,000) were classified as financial assets at FVPL. For the year ended 31 December 2019, fair value changes of RMB664,000 (2018: RMB7,243,000) is recognised in "Fair value changes in financial instruments".

(v) Structured bank deposits

At 31 December 2019, structured bank deposits of RMB157,581,000 (2018: RMB961,150,000) represented financial instruments placed to banks in the PRC for a term of less than one year. The investment returns are referenced to the performance of the three-month London Interbank Offered Rate, US$ rate in the international market. Structured bank deposits amounted to RMB104,176,000 (2018: RMB276,717,000) were subsequently redeemed after the end of the reporting period.

(vi) 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"), details of transaction are disclosed in contingent liabilities in Note 51 (iv), 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. At 31 December 2019, the Qualifying Transactions have not been completed. The separate derivative associated with GSH Disposal Agreement was measured at FVPL based on the valuations performed by an independent professionally qualified valuer, at SGD9,004,000 (equivalent to approximately RMB46,617,000).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

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 principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial asset.

(ii) Summary of financial assets at FVOCI

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Listed equity investments	(i)	473,556	572,770
Unlisted equity investments	(ii)	2,969,742	2,963,628
		3,443,298	3,536,398
Current assets			
Bills receivables	(iii)	2,778,410	1,365,791
Unlisted equity investments	(ii)	102,158	2,665
		2,880,568	1,368,456
		6,323,866	4,904,854

Note

(i) At 31 December 2019, the balance includes the Group's investments in 50,093,000 (2018: 50,093,000) H shares of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司, 1296.SEHK) amounting to RMB10,814,000 (2018: RMB12,298,000), 15,731,000 (2018: 16,962,000) shares of Riyue Heavy Industry Co., Ltd. (日月重工股份有限公司, 603218.SHSE) amounting to RMB326,729,000 (2018: RMB280,209,000), Class A ordinary shares, Class B ordinary shares and American Depository Shares ("ADSs") of Tuniu Corporation ("Tuniu") (TOUR.O.NASDAQ) amounting to RMB118,325,000 (2018: RMB280,263,000), and 18,986,000 (2018: Nil) shares of China PengFei Group Limited (中國鵬飛集團有限公司, 3348.SEHK) amounting to RMB17,688,000 (2018: RMBNil).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

(ii) Summary of financial assets at FVOCI *(continued)*

Note (continued)

(ii) On 17 April 2017, the Group 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 L.P.（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 had a fair value of RMB2,027,647,000 (2018: RMB2,048,879,000) as at 31 December 2019 and a fair value loss of RMB21,232,000 (2018: RMB48,879,000) recognised in OCI for the year ended 31 December 2019.

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

(iii) 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.

Transfers of financial assets

The following were the Group's bills receivable accepted by banks in the PRC (the "Endorsed Bills") that were endorsed to certain of the Group's suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables that are treated as settled.

Bills receivable endorsed to suppliers with full recourse are as follows:

	2019 **RMB'000**	2018 RMB'000
Carrying amount of transferred assets	**199,687**	31,009
Carrying amount of associated liabilities	**(199,687)**	(31,009)
Net position	**–**	–

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES)

(i) Loans receivables

	Note	2019 RMB'000	2018 RMB'000
Loan to a related party	(i)	**7,000**	28,000
Loans to third parties	(ii) - (xi)	**3,361,261**	2,635,975
Less: Loss allowances	3(iv)(b)	**(614,250)**	(116,987)
		2,754,011	2,546,988
Represented:			
– Current portion		**2,705,794**	2,484,263
– Non-current portion		**48,217**	62,725
		2,754,011	2,546,988

Note

(i) The Group entered into an agreement in April 2018, pursuant to which a loan of RMB28,000,000 was lent to an associate of the Company, Jiansheng. As at 31 December 2019, unsettled balance of RMB7,000,000 (2018: RMB28,000,000) which is unsecured and bears an interest at 9% per annum has been subsequently settled in January 2020.

(ii) The Group entered into agreements in September and December 2017, pursuant to which loans of RMB158,000,000 in aggregate were lent to a former subsidiary of the Company, Shenzhen Anke High Technology Company Limited（深圳安科高技術股份有限公司）, which was disposed of during the year ended 31 December 2017. Extension agreements have been entered into between both parties to extend the loans for one year, with balance of RMB158,000,000 remained unsettled at 31 December 2019, which is unsecured and bears interests at 8% (2018: from 4.90% to 8%) per annum.

(iii) The Group entered into an agreement in June 2018, pursuant to which a loan of RMB161,500,000 was lent to an independent third party, with balance of RMB161,500,000 remained unsettled at 31 December 2019, which is unsecured and bears an interest at 8.40% per annum (2018: the loan is secured and bears an interest at 8.40% per annum).

(iv) The Group entered into an agreement in June 2016, pursuant to which an entrusted loan of RMB400,000,000 was lent to an independent third party through a financial institution, with balance of RMB399,000,000 remained unsettled at 31 December 2019, which is unsecured and bears an interest at 8.50% (2018: 8.50%) per annum.

(v) The Group entered into agreements in April and May 2018, pursuant to which loans of RMB1,640,000,000 in aggregate were lent to an independent third party. Extension agreement has been entered into between both parties to extend the loan for ten months. As at 31 December 2019, unsettled balance of RMB904,315,000 is secured, bears an interest at 9.80% (2018: 9.48%) per annum and is receivable in July 2019 and February 2020.

(vi) The Group entered into an agreement in May 2018, pursuant to which a loan of RMB200,000,000 was lent to an independent third party, with balance of RMB160,000,000 remained unsettled at 31 December 2019, which is secured and bears an interest at 12% (2018: 12%) per annum.

(vii) The Group entered into an agreement in January 2019, pursuant to which a loan of RMB150,000,000 was lent to an independent third party. Extension agreement has been entered into between both parties to extend the loan for six months. As at 31 December 2019, unsettled balance of RMB156,000,000 is secured, bears an interest at 8% per annum and is receivable in January 2020.

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(i) Loans receivables *(continued)*

Note (continued)

(viii) The Group entered into an agreement in March 2019, pursuant to which loan of RMB273,000,000 in aggregate was lent to an independent third party. As at 31 December 2019, unsettled balance of RMB273,000,000 is secured, bears an interest at 15% per annum and is receivable in March 2020.

(ix) The Group entered into agreement in June 2019, pursuant to which loan amount up to a maximum of RMB500,000,000 in aggregate was arranged to an independent third party. As at 31 December 2019, total utilised loan balance of RMB387,000,000 remain unsettled which is secured and bears an interest at 15% per annum.

(x) The loan balance of RMB249,500,000 represents the delay of consideration receivable from a third party for disposal of Five Seasons Cultural Tourism Development Company Limited ("Five Seasons Cultural")（五季文化旅遊發展有限公司）during the year 2018. As at 31 December 2019, unsettled balances of RMB150,000,000 and RMB99,500,000 are secured, bear interests at 6% and are receivable in June 2020 and December 2020 respectively.

(xi) The remaining balance includes the loans to third parties with individual amount less than RMB100,000,000.

(ii) Consideration receivables

	Note	2019 RMB'000	2018 RMB'000
Consideration receivables	(i),(ii)	**185,046**	419,574
Less: Loss allowances	3(iv)(b)	**(1,368)**	(77,094)
		183,678	342,480

Note

(i) As at 31 December 2019, receivables of RMB179,546,000 was related to disposal of a bundle of the Group's entire equity interests of ten subsidiaries and four associates to an independent third party, Ningbo Gaoguang Enterprise Management Co., Ltd（寧波高光企業管理有限公司）. The remaining receivables of RMB5,500,000 was related to the disposal of 11% equity of Dongqiao Technology (Shanghai) Co., Ltd（東喬科技（上海）有限責任公司）("Dongqiao").

(ii) As at 31 December 2018, receivables of RMB349,500,000 was related to disposal of a joint venture, Five Seasons Cultural. The remaining receivables of RMB70,074,000 was related to disposal of a subsidiary, Jiangsu An Rhonda Health Industry Development Co., Ltd.（江蘇安朗達健康產業發展有限公司）.

28 FINANCIAL ASSETS AT AMORTISED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(iii) Other receivables

	Note	2019 RMB'000	2018 RMB'000
Other receivables			
– Amounts due from third parties	(i)	**2,847,415**	1,052,751
– Amounts due from joint ventures		**445**	15,125
– Amounts due from associates		**244,463**	95,917
Less: Loss allowances	3(iv)(b)	**(508,639)**	(48,207)
		2,583,684	1,115,586
Represented:			
– Current portion		**2,571,609**	988,205
– Non-current portion		**12,075**	127,381
		2,583,684	1,115,586

Note

(i) As at 31 December 2019, the balance included an amount of RMB1,003,834,000 receivables from former subsidiaries which were disposed of during the year and overdue beneficial interests of a trust of RMB512,813,000 that is reclassified from financial assets at FVPL to other receivables at maturity during the year.

(iv) Other financial assets at amortised cost

	Note	2019 RMB'000	2018 RMB'000
Other financial assets at amortised cost			
– Amounts due from third parties	(i)	**1,019,547**	967,327
– Amount due from a related party	(ii)	**254,050**	205,861
Less: Loss allowances	3(iv)(b)	**(365)**	(72)
		1,273,232	1,173,116
Represented:			
– Current portion		**254,050**	205,861
– Non-current portion		**1,019,182**	967,255
		1,273,232	1,173,116

Note

(i) The balance represented the carrying amounts of two financial products purchased from an insurance company with fixed rates interests at 6.50% and 5.80% respectively per annum, both with a 5-year maturity in 2023. The interest and principal are receivable at the maturity date.

(ii) On 26 April 2018, the Group acquired a corporate bond issued by one of the Group's related parties in prior year, from an independent third party with an amount of approximately RMB205,861,000. As at 31 December 2019, the carrying amount of corporate bonds is RMB254,050,000. The amount was subsequently received on 18 March 2020.

29 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Derivative financial instruments measured at FVPL	59,952	–

On 6 March 2017, the Company and Five Season XX Limited entered into a return swap agreement ("Swap contract") with Reward Lofy International Limited ("Reward Lofy"), another joint venturer of FVF I L.P., pursuant to which the Company would guarantee Reward Lofy a fixed annualised return rate at 8% of contributions it made during the investment period in return for the sharing of more than proportionate interests in the accumulated available proceeds of the FVF I L.P. by Five Season XX Limited at the termination date of the FVF I L.P.

This Swap contract was measured at FVPL and classified as non-current liabilities since the termination date of the FVF I L.P. as specified in the agreement was more than one year from the end of the reporting period.

30 INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	441,256	416,984
Work in progress	1,149,900	971,305
Finished goods	997,629	927,424
	2,588,785	2,315,713

31 TRADE RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Trade receivables			
– Amounts due from third parties		3,003,291	5,152,978
– Amounts due from joint ventures		10,347	32,867
Less: Loss allowances	3(iv)(a)	(548,486)	(551,567)
		2,465,152	4,634,278

31 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 allowances, is as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	1,904,273	3,131,028
91 to 180 days	99,262	539,547
181 to 365 days	221,361	482,003
Over 365 days	240,256	481,700
	2,465,152	4,634,278

The movements in expected credit loss provision of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	(551,567)	(576,098)
Amounts restated through opening retained earnings on initial adoption of HKFRS 9	–	(69,029)
Provision for credit losses recognised in profit or loss	(15,998)	(45,409)
Receivables written off during the year as uncollectible	19,079	7,782
Transferred to disposal group classified as held-for-sale	–	131,187
At 31 December	(548,486)	(551,567)

The Group generally allows a credit period of 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.

The Group seeks to maintain strict control over its outstanding receivables and has setup a credit control department to actively monitor the status of its outstanding receivables and take proper actions in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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.

32 PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Prepayments for trading purposes		
– Amounts due from third parties	475,754	533,546
– Amounts due from joint ventures	195	–
– Amounts due from associates	7,109	40,322
Value-added tax recoverable	9,725	41,866
Deposit paid for acquisition of land lease	11,361	–
Prepayments for acquisition of property, plant and equipment	41,659	35,659
Prepayments for potential acquisitions	–	14,385
Impairment of prepayments	(56,937)	(15,340)
	488,866	650,438
Represented:		
– Current portion	302,079	614,779
– Non-current portion	186,787	35,659
	488,866	650,438

The movements in provision for impairment of prepayments are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	(15,340)	(69,194)
Impairment losses (recognised)/reversed during the year	(43,123)	3,573
Transferred to disposal group classified as held-for-sale	–	50,281
Amounts written off as uncollectible	1,526	–
At 31 December	(56,937)	(15,340)

With referenced to Note 29 and in accordance with the terms in the Swap contract, the Group made prepayments to Reward Lofy on the guaranteed fixed annualised return rate at 8% of the contributions Reward Lofy had made during the investment period, at the commencement of each year. The prepayments would be used to set-off the future accumulated available proceeds of the FVF I L.P. to Reward Lofy at the termination date, if the accumulated available return at the termination date is higher than 8%.

As at 31 December 2019, management of the Group has assessed that the performance of FVF I L.P. was not as good as expected, and it is expected that the accumulated available return would probably not be higher than 8% at the termination date, therefore an impairment loss of RMB30,140,000 (2018: RMBNil) is recognised.

During the year ended 31 December 2019, in view that certain suppliers in operating difficulties who can hardly fulfill their obligations as contracted, an impairment loss of RMB12,983,000 is recognised. The reversal of provision of RMB3,573,000 in 2018 is due to certain suppliers in default resumed works to fulfill their obligations.

33 PROPERTIES UNDER DEVELOPMENT

	Note	2019 RMB'000	2018 RMB'000
At 1 January		**932,837**	929,653
Additions		**34,670**	329,259
Acquisition of subsidiaries		**–**	795,375
Interest capitalised	12	**34,121**	24,287
Disposal of subsidiaries	49	**(798,245)**	–
Transferred to properties held for sale		**–**	(551,364)
Transferred to property, plant and equipment	18	**(12,706)**	(515,822)
Transferred to prepaid land lease payments	20(a)	**–**	(78,551)
At 31 December		**190,677**	932,837

	2019 RMB'000	2018 RMB'000
Represented:		
– Land use rights	**29,680**	383,472
– Construction costs and capitalised expenditure	**160,997**	549,365
	190,677	932,837

According to the accounting policy of the Group, properties under development are classified as current assets as the construction period of the relevant property development projects are expected to be completed in the normal operating cycle.

The carrying amount of properties under development of approximately RMB190,677,000 (2018: RMB677,594,000) as at 31 December 2019 is expected not to be realised within the next twelve months from the end of the reporting period.

As at 31 December 2019, properties under development with carrying amount of RMB16,974,000 (2018: RMB930,841,000) were pledged as collateral for the Group's borrowings and facilities (Note 53).

34 PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated on leasehold lands in the PRC. All of the properties held for sale are stated at cost.

35 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**5,528,257**	5,475,971
Less: Restricted cash		
– Pledged bank deposits	**(2,720,564)**	(2,929,985)
– Restricted bank deposits	**(10,690)**	(9,185)
	(2,731,254)	(2,939,170)
Cash and cash equivalents	**2,797,003**	2,536,801

At 31 December 2019, cash and bank balances denominated in RMB amounted to RMB5,299,907,000 (2018: RMB5,207,990,000). RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 and pledged deposits are deposited with creditworthy banks with no recent history of default.

36 GAIN ON DISPOSAL OF DISPOSAL GROUP/ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

(i) Description

On 23 November 2018, the Group entered into a bundle transaction of equity transfer agreement to dispose of its entire equity interests of ten subsidiaries and four associates (the "Disposal Group") with an independent third party (the "Bundle Transaction") for an aggregate cash consideration of RMB299,432,000. The Bundle Transaction was completed in 2019. During the year ended 31 December 2019, the consideration amounted to RMB119,886,000 was received and the remaining unsettled consideration of RMB179,546,000 was recognised in consideration receivables in Note 28 (ii). The consideration receivables was fully received subsequent to the end of the reporting period.

36 GAIN ON DISPOSAL OF DISPOSAL GROUP/ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE *(continued)*

(ii) Assets and liabilities of the Disposal Group classified as held-for-sale as at 31 December 2018:

	Note	RMB'000
Assets		
Property, plant and equipment	18	629,272
Prepaid land lease payments	20(a)	182,340
Goodwill	21	2,991
Investments in associates	24	60,886
Other intangible assets	22	3,689
Financial assets at FVOCI		33,113
Deferred tax assets	42	2,340
Restricted cash		19,066
Cash and cash equivalents		25,257
Other current assets		442,227
		1,401,181
Liabilities		
Trade and bills payables		108,659
Other payables and accruals		79,817
Contract liabilities		108,098
Bank and other borrowings		181,125
Deferred tax liabilities	42	64,100
		541,799

36 GAIN ON DISPOSAL OF DISPOSAL GROUP/ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE *(continued)*

(iii) Disposal of disposal Group

Assets and liabilities of Disposal Group at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	528,231
Right-of-use assets	161,296
Investments in associates	56,808
Other intangible assets	4,034
Deferred tax assets	2,325
Goodwill	2,991
Financial asset at FVOCI	2,000
Pledged bank deposits	12,019
Cash and cash equivalents	14,907
Other current assets	693,238
Borrowings	(347,125)
Deferred tax liabilities	(62,977)
Contract liabilities	(22,775)
Other current liabilities (including payables to the Group from subsidiaries of Bundle Transaction)	(1,240,647)
Net liabilities disposed	(195,675)

	2019 RMB'000
Total consideration for the disposal	299,432
Share of loss from associates of the Bundle Transaction	(4,078)
Impairment of other receivables from subsidiaries of the Bundle Transaction	(405,239)
Net liabilities disposed	195,675
Non-controlling interests	(57,553)
Gain on disposal	28,237

36 GAIN ON DISPOSAL OF DISPOSAL GROUP/ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	RMB'000
Total consideration	299,432
Less: Cash and cash equivalents in the Disposal Group	(14,907)
Less: Unsettled consideration	(179,546)
Net cash inflows from the disposal	104,979

37 TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables		
– Amounts due to third parties	2,204,139	1,990,927
– Amounts due to joint ventures	1,115	456
– Amounts due to associates	318	1,603
Bills payables	3,884,766	4,526,958
	6,090,338	6,519,944

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:

	2019 RMB'000	2018 RMB'000
Within 90 days	2,712,836	2,655,984
91 to 180 days	856,623	2,713,380
181 to 365 days	2,313,853	998,173
Over 365 days	207,026	152,407
	6,090,338	6,519,944

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

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

38 OTHER PAYABLES AND ACCRUALS

	Note	2019 RMB'000	2018 RMB'000
Accruals		**1,029,335**	1,049,345
Amounts due to joint ventures		**–**	30,000
Amounts due to associates		**221**	1,081
Other tax payables		**124,171**	70,470
Other payables		**551,587**	630,637
Refundable deposit received	(i)	**1,000,000**	1,000,000
Payroll and welfare payables		**215,482**	186,093
Liability arising from financial guarantee contracts		**28,115**	20,555
Payables for purchase of property, plant and equipment		**167,867**	189,313
		3,116,778	3,177,494

Note

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

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

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

39 BANK AND OTHER BORROWINGS

	2019		2018	
	Current	**Non-current**	Current	Non-current
	RMB'000	**RMB'000**	RMB'000	RMB'000
Secured				
– Bank loans	**1,042,057**	**1,559,500**	1,559,299	1,723,138
– Loans from other financial institutions	**1,344,000**	**–**	566,886	574,689
– Loans from other third parties	**315,959**	**1,000**	97,009	255,000
Total secured borrowings	**2,702,016**	**1,560,500**	2,223,194	2,552,827
Unsecured				
– Bank loans	**1,927,500**	**–**	3,195,367	–
– Loans from ultimate holding company	**502,099**	**755,860**	492,794	891,485
– Medium-term notes	**–**	**–**	500,000	–
– Loans from other third parties	**67,415**	**215,027**	608,751	–
Total unsecured borrowings	**2,497,014**	**970,887**	4,796,912	891,485
	5,199,030	**2,531,387**	7,020,106	3,444,312

Bank and other borrowings carry interests from 0% to 9.50% (2018: 0% to 9.21%) per annum. Current loans from ultimate holding company of RMB502,099,000 (2018: RMB492,794,000) is interest-free and non-current loans from ultimate holding company of RMB755,860,000 (2018: RMB891,485,000) carries effective interest rate at 4.75%.

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

	2019	2018
	RMB'000	RMB'000
RMB	**7,427,014**	7,280,882
US$	**6,976**	2,023,741
HK$	**–**	647,237
EUR	**–**	269,084
AUD	**296,427**	243,474
	7,730,417	10,464,418

39 BANK AND OTHER BORROWINGS *(continued)*

Bank and other borrowings are repayable as follows:

	2019 RMB'000	2018 RMB'000
Within one year or on demand	5,199,030	7,020,106
Between one and two years	1,698,471	1,152,269
Between two and five years	451,100	1,731,923
Over five years	381,816	560,120
	7,730,417	10,464,418

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) The Group's assets as disclosed in Note 53.

In addition, as at 31 December 2019, bank loans of RMB1,514,716,000 (2018: RMB2,146,924,000) were guaranteed by Mr. Ji. Bank loans of RMB500,000,000 (2018: RMB500,000,000) were guaranteed by Mr. Ji and a close family member of Mr. Ji.

40 CORPORATE BONDS

On 8 December 2014, the Company issued a six-year semi-annual coupon corporate bond ("2014 CB") with a principal amount of HK$10,400,000 (equivalent to RMB8,268,000) which carries interest at 7% per annum. The effective interest rate as at 31 December 2019 is 9.60% (2018: 9.60%).

In March and July 2017, the Group issued two five-year annual coupon corporate bonds ("2017 CB") with principal amounts of RMB900,000,000 ("First Tranche Bond") and RMB1,020,000,000 which carry interests at 6.47% and 6.50% per annum respectively. The effective interest rates as at 31 December 2019 are 6.59% and 6.62% (2018: 6.59% and 6.62%) respectively.

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

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

40 CORPORATE BONDS *(continued)*

	2014 CB RMB'000	2017 CB RMB'000	2018 CB RMB'000	Total RMB'000
At 1 January 2018	8,021	1,988,525	–	1,996,546
Issued	–	–	497,575	497,575
Imputed interest *(Note 12)*	834	126,229	37,916	164,979
Interest paid	(618)	(124,530)	–	(125,148)
Exchange differences	383	–	–	383
At 31 December 2018 and 1 January 2019	**8,620**	**1,990,224**	**535,491**	**2,534,335**
Imputed interest *(Note 12)*	**896**	**126,228**	**37,948**	**165,072**
Interest paid	**(642)**	**(124,530)**	**(37,500)**	**(162,672)**
Exchange differences	**166**	**–**	**–**	**166**
At 31 December 2019	**9,040**	**1,991,922**	**535,939**	**2,536,901**

	2019 RMB'000	2018 RMB'000
Represented:		
Accrued interest (included in other payables and accruals)	**115,148**	114,250
Current liabilities	**1,923,316**	–
Non-current liabilities	**498,437**	2,420,085
	2,536,901	2,534,335

41 WARRANTY PROVISION

	2019 RMB'000	2018 RMB'000
At 1 January	**162,901**	120,664
Additional provisions recognised during the year	**359,312**	150,500
Amounts utilised during the year	**(208,181)**	(108,263)
At 31 December	**314,032**	162,901
Represented:		
– Current portion	**216,868**	90,373
– Non-current portion	**97,164**	72,528
	314,032	162,901

At the end of the reporting period, the amount represents the directors' best estimate of the expected cost that will be required under the Group's obligations for warranties under sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

42 DEFERRED TAX

For presentation purposes, certain deferred tax assets/(liabilities) have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**570,453**	383,594
Deferred tax liabilities	**(1,136,831)**	(1,528,033)
	(566,378)	(1,144,439)

(i) Details of the deferred tax assets recognised in the consolidated statement of financial position and movements during the years are as follows:

	Tax losses RMB'000	Temporary difference between accounting basis and tax basis of lease liabilities RMB'000	Write-down of inventories RMB'000	Impairment of receivables RMB'000	Other payables and accrued expenses RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	37,670	–	54,295	68,997	44,777	106,388	33,678	345,805
Changes in accounting policies	–	–	–	58,920	–	–	–	58,920
Acquisition of subsidiaries	–	–	–	7,430	–	–	–	7,430
Transferred to disposal group classified as held-for-sale *(Note 36)*	–	–	(1,278)	(850)	–	–	(212)	(2,340)
Credited/(charged) to profit or loss	6,978	–	(1,854)	41,379	(716)	(144)	(10,874)	34,769
Charged to OCI	–	–	–	–	–	–	(2,471)	(2,471)
Exchange differences	(118)	–	–	–	(295)	–	–	(413)
At 31 December 2018 and 1 January 2019	44,530	–	51,163	175,876	43,766	106,244	20,121	441,700
Changes in accounting policy *(Note 2.2(iv))*	**–**	**13,863**	**–**	**–**	**–**	**–**	**–**	**13,863**
Disposal of subsidiaries *(Note 49)*	**–**	**–**	**–**	**(7,430)**	**–**	**(33,414)**	**–**	**(40,844)**
(Charged)/credited to profit or loss	**(20,396)**	**–**	**(5,407)**	**105,197**	**56,239**	**(2,351)**	**4,468**	**137,750**
(Charged)/credited to OCI	**–**	**–**	**–**	**–**	**–**	**–**	**1,724**	**1,724**
Exchange differences	**–**	**103**	**–**	**–**	**–**	**–**	**–**	**103**
At 31 December 2019	**24,134**	**13,966**	**45,756**	**273,643**	**100,005**	**70,479**	**26,313**	**554,296**

The Group has tax losses of RMB1,259,394,000 (2018: RMB1,187,190,000) arising from the PRC that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses of RMB1,162,689,000 (2018: RMB1,010,278,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

42 DEFERRED TAX *(continued)*

(ii) Details of the deferred tax liabilities recognised in the consolidated statement of financial position and movements during the years are as follows:

	Change in fair value of identified assets upon acquisition of subsidiaries RMB'000	Temporary difference between accounting basis and tax basis of investment properties RMB'000	Change in fair value of financial assets RMB'000	Withholding taxes RMB'000	Development cost RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	468,073	486,699	1,103,103	105,059	–	7,560	2,170,494
Changes in accounting policies	–	–	25,900	–	–	–	25,900
Acquisition of subsidiaries	30,219	–	–	–	–	–	30,219
Disposal of subsidiaries	(13,215)	–	–	–	–	–	(13,215)
Transferred to disposal group classified as held-for-sale *(Note 36)*	–	–	(64,100)	–	–	–	(64,100)
(Credited)/charged to profit or loss	(50,679)	52,845	(597,548)	(11,582)	(474)	600	(606,838)
Charged to OCI	–	–	(9,892)	–	–	–	(9,892)
Exchange differences	309	–	53,262	–	–	–	53,571
At 31 December 2018 and 1 January 2019	**434,707**	**539,544**	**510,725**	**93,477**	**(474)**	**8,160**	**1,586,139**
Acquisition of subsidiaries *(Note 48)*	**13,798**	**–**	**–**	**–**	**–**	**–**	**13,798**
Disposal of subsidiaries *(Note 49)*	**(30,219)**	**–**	**–**	**–**	**–**	**–**	**(30,219)**
(Credited)/charged to profit or loss	**(34,777)**	**15,193**	**(455,353)**	**14,649**	**474**	**(6,247)**	**(466,061)**
Charged to OCI	**–**	**–**	**43,701**	**–**	**–**	**–**	**43,701**
Exchange differences	**(261)**	**–**	**(26,423)**	**–**	**–**	**–**	**(26,684)**
At 31 December 2019	**383,248**	**554,737**	**72,650**	**108,126**	**–**	**1,913**	**1,120,674**

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the application rate is 5% and 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB7,161,363,000 as at 31 December 2019 (2018: RMB9,046,637,000) that are subject to withholding taxes of the Group's subsidiaries established in the PRC because in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

43 SHARE CAPITAL

	2019	2018
	RMB'000	RMB'000
Authorised:		
40,000,000,000 (2018: 40,000,000,000) ordinary shares of HK$0.01 each	**314,492**	314,492

	2019	2018
	RMB'000	RMB'000
Issued and fully paid:		
19,705,391,731 (2018: 19,729,061,731) ordinary shares of HK$0.01 each	**160,872**	161,084

A summary of balance of the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	19,729,061,731	161,084
Shares repurchased and cancelled *(Note)*	(23,670,000)	(212)
At 31 December 2019	19,705,391,731	160,872

Note:

During the year ended 31 December 2019, the Company repurchased its own shares on SEHK as follows:

Month	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	HK$	HK$'000
September 2019	23,670,000	0.212	0.208	4,981 (equivalent to RMB4,523,000)

All of the repurchased shares were cancelled during the year ended 31 December 2019.

44 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES

(i) Share options scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 17 August 2018, the share option scheme (the "Share Option Scheme") was adopted by the Company.

Official full-time employees rank a level of director（總監）and above, and other employees selected by the Board of Directors or the shareholders of the Company at general meeting are eligible to participate in the Share Option Scheme. Subject to early termination by the Company at general meeting, the Share Option Scheme shall remain in force for 5 years commencing from the date of adoption.

The exercise of share options shall be conditional upon fulfilment of the following main conditions:

- In respect of the results targets of the Company from years 2018 to 2022, taking the overall net profit and operation net profit of the Company in year 2017 as benchmarks (the 'Benchmarks'), the annual compound growth rate of the audited overall net profit and operation net profit of the Company in the financial year preceding the exercise date of the share options shall not be lower than 10% and 25% respectively compared to the Benchmarks. The Board of Directors may adjust the results targets if there is material change of the strategic development of the Company;

- The grantee shall be a full-time employee passing the probation on the grant date and until the exercise date of the share options except for exemptions set out in the Share Option Scheme, unless otherwise waived by the Board of Directors or the person authorised by the Board of Directors;

Assuming all the conditions for exercise of the share options are fulfilled in accordance with the Share Option Scheme, the proportion of 20%, 20%, 20%, 20% and 20% of the share options may be exercised after the 12 months, 24 months, 36 months, 48 months and 60 months from the date of grant respectively. No share option could be exercised 10 years after the date of grant.

On 14 December 2018, the Board of Directors resolved to grant share options to certain eligible employees (the "Share Option Grantees") to subscribe for a total of 77,232,200 shares upon exercise under the Share Option Scheme, such share options had been accepted by the Share Option Grantees at no consideration. During the year ended 31 December 2019, a total of 13,437,520 (2018: 446,400 shares) and 12,276,760 (2018: Nil) share options were cancelled and lapsed respectively according to the terms of the Share Option Scheme. As at 31 December 2019, there was 51,071,520 (2018: 76,785,800) outstanding share options which are not exercisable. The exercise price of share options granted is HK$2.56 per share, representing the closing price of HK$2.56 per share as quoted in the daily quotation sheet of SEHK on the date of grant.

As at 31 December 2019 and 2018, the best available estimate of the number of share options expected to exercise is immaterial, as it is highly probable that the Share Option Grantees will fail to satisfy the abovementioned exercise conditions in accordance with the Share Option Scheme.

44 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES *(continued)*

(ii) Share award scheme

On 7 July 2018, the Group adopted a share award scheme (the "Share Award Scheme") to promote the implementation of enterprise culture of co-creation and procure the core employees of the Group to focus on long–term operation performance, as well as to attract, retain and impel core talents.

Official full-time employees rank a level of senior manager and above, and other employees selected by the Board of Directors or the shareholders of the Company at general meeting are eligible to participate in the Share Award Scheme. The Share Award Scheme shall be valid for a term of 5 years commencing from the date of adoption.

Pursuant to the Share Award Scheme, existing shares of the Company could be purchased and held on trust as "Restricted Shares" until such shares are vested with the relevant grantees in accordance with the rules of the Share Award Scheme.

Subject to the fulfillment of the specified vesting conditions and upon payment of consideration of the award shares are made, 60% and 40% of the award shares will be transferred to the selected grantees following the Company's instruction since the date falling the 24th and 36th month from the date of grant respectively.

On 14 December 2018, the Board of Directors resolved to grant an aggregate of 17,521,400 shares ("Award Shares") to 46 eligible employees (the "Award Share Grantees") at grant price of HK$1.28 per Award Share, representing 50% of the closing price of HK$2.56 per share as quoted in the daily quotation sheet of SEHK on the date of grant. A total of 17,300,200 (2018: 221,200 shares) Award Shares were lapsed according to the terms of the Share Award Scheme during the year ended 31 December 2019. As at 31 December 2019, there was no outstanding unvested award shares (2018: 17,300,200) and the Company intends to hold the 17,521,400 award shares on trust and utilise for future award purpose pursuant to the Share Award Scheme.

As at 31 December 2019 and 2018, the best available estimate of the number of award shares expected to vest is immaterial, as it is highly probable that the Award Share Grantees will fail to satisfy the vesting conditions specified in the Share Award Scheme.

The movements of shares held for Share Award Scheme by the trustee are as follows:

	2019		2018	
	Number of shares	**Employee share trust reserve RMB'000**	Number of shares	Employee share trust reserve RMB'000
At 1 January	**17,521,400**	**35,258**	–	–
Acquisition of shares by the trustee	**–**	**–**	17,521,400	35,258
At 31 December	**17,521,400**	**35,258**	17,521,400	35,258

45 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(i) Equity reserve

Equity reserve represented (a) the difference between the paid-in capital of Nanjing Fullshare Asset Management Limited（南京豐盛資產管理有限公司）("Nanjing Fullshare Asset Management") and the carrying amount of ordinary share capital of the Company immediately before the completion of the reverse takeover transaction during the year ended 31 December 2013 and (b) the difference between deemed consideration given by Nanjing Fullshare Asset Management and the nominal value of ordinary shares of the Company issued in respect of the reverse takeover transaction.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

(iii) Merger reserve

The merger reserve of the Group arose as a result of the acquisitions of subsidiaries under common control and represented the difference between the consideration paid for the acquisitions and the carrying amount of the net assets of the subsidiaries at the date when the Group and the acquired subsidiaries became under common control.

(v) Other reserve

Other reserve represents (a) the gains/(losses) arising from transactions with non-controlling interests, (b) the difference between the fair value of consideration paid for the acquisition of the assets through acquisition of subsidiaries from the owners of the Company and the fair value of the assets acquired at the date of acquisition, (c) the amount due to the controlling shareholder waived by Mr. Ji and capitalised as capital contribution and (d) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(v) Employee share trust reserve

Employee share trust reserve arose as a result of purchasing of Company's shares for Share Award Scheme or granting the shares to relevant grantees of the Group.

46 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019 RMB'000	2018 RMB'000
Percentage of equity interest held by non-controlling interests:		
CHS	26.09%	26.09%
Accumulated balances of non-controlling interests at the end of the reporting period:		
CHS	3,246,134	3,153,046

	2019 RMB'000	2018 RMB'000
Total comprehensive income/(loss) for the year allocated to non-controlling interests:		
CHS	65,536	(11,955)

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CHS	2019 RMB'000	2018 RMB'000
Revenue	9,869,788	8,509,022
Total expenses	(9,654,024)	(8,486,976)
Profit for the year	215,764	22,046
Total comprehensive income/(loss) for the year	308,903	(37,626)
Net cash flows generated from operating activities	2,113,717	555,730
Net cash flows generated from/(used in) investing activities	1,135,425	(1,376,874)
Net cash flows used in financing activities	(2,811,524)	(1,142,595)
Net increase/(decrease) in cash and cash equivalents	437,618	(1,963,739)

	2019 RMB'000	2018 RMB'000
Assets of disposal group classified as held-for-sale	–	1,401,181
Other current assets	15,909,564	16,660,445
Non-current assets	10,119,495	10,068,378
Liabilities of disposal group classified as held-for-sale	–	(541,799)
Other current liabilities	(12,554,835)	(12,581,488)
Non-current liabilities	(1,271,273)	(3,029,332)

47 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Cash generated from operations

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Loss before tax		(3,213,676)	(3,542,028)
Adjustments for:			
Finance costs	12	827,352	948,747
Share of results of associates and joint ventures	23, 24	176,001	7,958
Gain on a bargain purchase recognised in acquisition of subsidiaries	10	–	(7,667)
Interest income	9	(323,953)	(542,472)
Losses on disposal of property, plant and equipment	10	39,399	1,346
Gain on disposal of subsidiaries	10	(39,098)	(95,476)
Gain on disposal of a joint venture	10	(1,469)	(248)
Losses on disposal of associates	10	5,093	583
Gain on disposal of disposal group	10	(28,237)	–
Dividend income	9	(154,236)	(146,919)
Fair value changes in financial instruments	8	2,824,876	3,555,856
Fair value change in investment properties	10	(60,829)	(103,997)
Depreciation of property, plant and equipment	11	539,740	606,774
Depreciation of right-of-use assets	20(b)	51,311	–
Net impairment losses on financial assets	3(iv)	510,068	161,281
Impairment losses of property, plant and equipment	10	8,003	–
Impairment losses of goodwill	10	54,000	30,232
(Reversal of)/provision for inventories write down	11	(58,450)	30,064
Amortisation of prepaid land lease payments	11	–	32,374
Amortisation of other intangible assets	11	85,706	85,949
Amortisation of deferred income		(28,382)	(32,495)
Provision for/(reversal of) impairment losses of prepayments	10	43,123	(3,573)
Exchange losses/(gains), net		1,127	(38,229)
Operating cash inflows before movement in working capital		1,257,469	948,060

47 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(i) Cash generated from operations *(continued)*

	2019 RMB'000	2018 RMB'000
Increase in properties under development	(34,670)	(329,259)
Decrease in properties held for sale	145,134	271,721
Increase in inventories	(173,328)	(251,273)
(Increase)/decrease in restricted bank deposit	(1,505)	207,276
Decrease/(increase) in trade and bills receivables, other receivables and prepayments	1,274,479	(191,942)
Decrease in trade and bills payables, other payables and accruals and contract liabilities	(193,796)	(293,478)
Increase in deferred income	–	34,312
Increase in provision for product warranties	151,132	42,237
Cash generated from operations	2,424,915	437,654

(ii) Non-cash investing and financing activities disclosed in other note is:

- Disposal of joint venture – Note 23

(iii) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Total RMB'000
At 1 January 2019 as originally presented	–	10,464,418	2,420,085	12,884,503
Changes in accounting policies	251,996	–	–	251,996
Restated balance at 1 January 2019	251,996	10,464,418	2,420,085	13,136,499
New Leases	201,163	–	–	201,163
Interest expense	16,014	680,387	165,072	861,473
New bank and other borrowing raised	–	5,535,419	–	5,535,419
Repayments of bank and other borrowings	–	(8,143,254)	–	(8,143,254)
Capital element of lease rental paid	(21,295)	–	–	(21,295)
Interest element of lease rental paid	(16,014)	–	–	(16,014)
Foreign exchange movements	12,799	(8,316)	166	4,649
Changes from operating cash flows	–	–	(898)	(898)
Interest paid	–	(579,479)	(162,672)	(742,151)
Decrease arising from disposal of subsidiaries	–	(218,758)	–	(218,758)
At 31 December 2019	444,663	7,730,417	2,421,753	10,596,833

48 ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2019

On 28 February 2019, the Group acquired the entire equity interest in NGC (Baotou) Transmission Equipment Co., Ltd (南高齒(包頭)傳動設備有限公司) (formerly known as "Guodian United Power Technology (Baotou) Co., Ltd (國電聯合動力投術(包頭)有限公司)") ("Guodian") from an independent third party with a consideration of RMB10,010,000.

On 10 November 2019, the Group acquired 97% equity interest in Intuition Languages Limited ("Intuition") from an independent third party with a consideration of GBP1,500,000 (equivalent to RMB12,181,000).

On 24 August 2019 and 16 December 2019, the Group acquired the entire equity interest in three early learning centres, including Gumnuts Childcare, Tewantin Early Learning Centre and Sparrow Group WA Ltd (collectively referred as "Early Learning") from two independent third parties at an aggregate consideration of AUD10,260,000 (equivalent to RMB49,874,000).

The fair values of the identifiable assets and liabilities of acquisition were as follows:

	Gaodian RMB'000	Intuition RMB'000	Early Learning RMB'000	Total RMB'000
Inventories	41,247	47	–	41,294
Trade receivables	4,436	1,289	–	5,725
Prepayments	52,668	–	1,454	54,122
Other receivables	1,104	–	–	1,104
Right-of-use assets	45,460	–	–	45,460
Cash and cash equivalents	1,386	429	–	1,815
Property, plant and equipment	176,217	903	–	177,120
Trade payables	(30,935)	(322)	–	(31,257)
Other payables and accruals	(293,917)	(974)	(10,730)	(305,621)
Contract liabilities	–	–	(1,045)	(1,045)
Deferred income	–	(228)	–	(228)
Taxation payables	–	(266)	–	(266)
Deferred tax liabilities	(13,798)	–	–	(13,798)
Identifiable net (liabilities)/assets acquired	(16,132)	878	(10,321)	(25,575)
Less: Non-controlling interest	–	(26)	–	(26)
Add: Goodwill arising on acquisition	26,142	11,329	60,195	97,666
Net assets acquired	10,010	12,181	49,874	72,065
Total consideration settled by cash	10,010	12,181	49,874	72,065
Analysis of cash flows on acquisition:				
Less: Prepayments in prior year	10,010	–	–	10,010
Cash consideration	(10,010)	(12,181)	(49,874)	(72,065)
Cash acquired with the subsidiaries	1,386	429	–	1,815
Net cash inflow/(outflow) on acquisition	1,386	(11,752)	(49,874)	(60,240)

These acquisitions were made as part of the Group's strategy to expand and further develop the existing operating businesses and have been accounted for using the purchase method. Goodwill was recognised in the acquisition since the consideration paid effectively included a control premium and amounts in relation to the benefit of expected synergies, revenue growth, and the future market development of the subsidiaries. The goodwill is not deductible for income tax purposes. The non-controlling interest recognised at the acquisition date was measured at their proportionate share of net assets acquired.

From the date of acquisition, these acquisitions have contributed RMB39,510,000 to the Group's revenue and net loss of RMB43,171,000 to the Group for the year ended 31 December 2019. Had the combinations taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2019 would have been RMB11,258,259,000 and RMB2,965,785,000, respectively.

49 DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

On 29 March 2019, the Group entered into an agreement with an independent third party to dispose of its 65% equity interest in Ma' Anshan Haixin Travel Investment Company Limited (馬鞍山海信旅遊投資有限公司) and its wholly-owned subsidiaries (collectively referred to as "Ma'anshan Group") at a consideration of RMB80,000,000.

On 31 December 2019, the Group entered into an agreement with an independent third party to dispose of its entire equity interests in Jiangsu Anjiali Real Estate Co., Ltd (江蘇安家利置業有限公司) ("Anjiali") at a consideration of RMB124,000,000.

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

	Ma'anshan Group RMB'000	Anjiali RMB'000	Total RMB'000
Net assets disposed of comprise:			
– Deferred tax assets *(Note 42)*	7,430	33,414	40,844
– Property, plant and equipment *(Note 18)*	44	712	756
– Properties under development *(Note 33)*	798,245	–	798,245
– Properties held for sale	–	19,962	19,962
– Prepayments	7,639	–	7,639
– Trade receivables	129	–	129
– Other receivables	1,930	133	2,063
– Cash and cash equivalents	9,105	252,761	261,866
– Trade and bills payables	(37,936)	(13,070)	(51,006)
– Other payables and accruals	(434,167)	(4,260)	(438,427)
– Bank and other borrowings	(218,758)	–	(218,758)
– Taxation payable	–	(133,658)	(133,658)
– Deferred tax liabilities *(Note 42)*	(30,219)	–	(30,219)
– Non-controlling interests	(36,204)	–	(36,204)
Net assets disposed of	67,238	155,994	223,232
Statutory reserve	–	(58,330)	(58,330)
Cash consideration	(80,000)	(124,000)	(204,000)
Gain on disposal of subsidiaries *(Note 10)*	12,762	26,336	39,098
Analysis of cash flows on disposal:			
Cash consideration	80,000	124,000	204,000
Cash and cash equivalents disposed of	(9,105)	(252,761)	(261,866)
Net cash inflow/(outflow) on disposal	70,895	(128,761)	(57,866)

50 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 30 November 2019, the Group disposed of 11% equity interest in Dongqiao for RMB5,500,000. At the date of the disposal, the proportionate share of 11% interest in Dongqiao by non-controlling interests was RMB4,342,000. Accordingly, the Group recognised an increase in non-controlling interests of RMB4,342,000 and an increase in equity attributable to owners of the parent of RMB1,158,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	2019 **RMB'000**	2018 RMB'000
Increase in non-controlling interests acquired	**(4,342)**	–
Consideration paid by non-controlling interests	**5,500**	–
Excess of consideration receivable recognised in the transactions with non-controlling interests reserve within equity	**1,158**	–

There were no transactions with non-controlling interests in 2018.

51 CONTINGENT LIABILITIES

As at 31 December 2019, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Note	**2019** **RMB'000**	2018 RMB'000
Guarantees given to banks in connection with mortgage facilities	(i)	**225,494**	872,792
Guarantees given to a bank in connection with motor vehicle finance leases facilities	(ii)	**43,574**	–

Note

(i) 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 from these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests 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 date of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of the construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the consolidated financial statements.

(ii) The Group provided guarantees in respect of motor vehicle finance leases facilities granted by a bank to eligible borrowers. Pursuant to the terms of the guarantees, upon default in finance leases payments by these borrowers, the Group is responsible to repay the outstanding principals together with accrued interests and penalties owed by the defaulted borrowers to the bank. The Group's guarantee period starts from the date of grant of the relevant finance leases and ends when the customers settle their financial leases obligations in full. The directors consider that in case of default in payments, the amounts of security deposits received from borrowers, which ranged from 6% to 8% to the granted amounts, are more than the amounts of bank security deposits to be forfeited, which were around 2% of granted amounts; and Nanjing Jiangong Industrial Group Co., Ltd.（南京建工產業集團有限公司）("Nanjing Jiangong Industrial", formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd.（南京豐盛產業控股集團有限公司）), a connected person of the Company, guarantees the Group's potential liabilities arisen from default cases. Therefore, no provision has been made in the consolidated financial statements for the guarantees.

51 CONTINGENT LIABILITIES *(continued)*

Note (continued)

(iii) As at 31 December 2019, the Group provided financial guarantees to one associate (2018: two associates) and two third parties (2018: a third party) in favor of bank loans of RMB306,010,000 (2018: RMB751,360,000) and RMB474,000,000 (2018: RMB410,000,000) respectively. These amounts represented the balances that the Group could be required to be paid if the guarantees were called upon in its entirety. At the end of the reporting period, an amount of RMB23,559,000 (2018: RMB20,555,000) has been recognised in the consolidated statement of financial position as liabilities.

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

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

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

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

(v) On 12 November 2015, the Group's subsidiaries, namely 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"), an independent third party 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") by SET with a total amount of EUR11,773,000 (equivalent to RMB92,019,000) (the "Claimed Amount") against NGC Parties for breaches of contractual obligations under the Cooperation Agreement relating to the Project.

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

(vi) On 16 August 2019, it came to the attention of the Company that Mr. Ji was named a defendant in a proceeding involving claim for alleged overdue payments of approximately HK$1,466,000,000 (the "Proceeding"). No further information in respect of the Proceeding and the claim thereunder is available as at the date of this 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 RMB1,100,000,000 ("Loan"). However, up to the date of this 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.

52 COMMITMENTS

(i) Operating lease arrangement

(a) Group – As lessor

The Group leases its investment properties out (Note 19) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**268,210**	267,400
In the second to fifth years, inclusive	**673,149**	461,291
After five years	**83,898**	115,621
	1,025,257	844,312

(b) Group – As lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. See Note 2.2 and Note 20(b) for further information.

	2019 **RMB'000**	2018 RMB'000
Within one year	**3,085**	48,477
In the second to fifth years, inclusive	**3,815**	200,442
After five years	**–**	78,369
	6,900	327,288

(ii) Capital commitments

In addition to the operating lease commitments detailed in Note 52(i) above, the Group had the following capital commitments at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
– Properties under development	**–**	39,884
– Plant and machinery	**237,046**	290,208
– Capital contributions to an associate	**129,000**	54,542
– Capital contributions to a joint venture	**50,000**	36,443
	416,046	421,077

52 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 Company Limited（寧波眾邦產融控股有限公司）, 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）("Fund") (collectively referred to as "Limited Partners") and Ningbo Zhongxin Wanbang Asset Management Company Limited（寧波眾信萬邦資產管理有限公司）, being the general partner of the Fund entered into a forward sale and purchase agreement ("Forward Purchase Agreement") pursuant to which the Company has conditionally agreed to acquire from each of the Limited Partners their respective interests in the Fund at a maximum consideration of 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. The maximum consideration for acquisition is estimated to be approximately RMB3,342,507,000.

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 O2O service provider in the PRC tourism business. As at the date of approval of the 2019 consolidated financial statements, the Fund has invested as to 26.33% interests of Shanghai Joyu.

53 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:

	Note	2019 RMB'000	2018 RMB'000
Properties under development	*33*	**16,974**	930,841
Investment properties	*19*	**3,938,321**	3,800,000
Property, plant and equipment	*18*	**1,902,164**	1,114,262
Prepaid land lease payments	*20(a)*	**–**	128,756
Right-of-use asset regarding the land use rights	*20(b)*	**254,658**	–
Financial assets at FVOCI		**1,310,735**	1,352,334
Financial assets at FVPL		**–**	1,649,484
Pledged bank deposits	*35*	**2,720,564**	2,929,985
		10,143,416	11,905,662

54 PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation/ operation and kind of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CHS	Cayman Islands/ PRC, limited liability company	US$16,352,916	–	74	Manufacture and sale of gear products
Rich Unicorn Holdings Limited	BVI, limited liability company	US$94,018,997	100	–	Investment holding
Nanjing Fullshare Property Dazu Technology Company Limited （南京豐盛大族科技股份有限公司） ("Dazu")	PRC, wholly-foreign owned enterprise	RMB3,000,000,000	–	100	Real estate development and investments
Nanjing Deying Property Limited （南京德盈置業有限公司） ("Nanjing Deying")	PRC, wholly-foreign owned enterprise	RMB465,200,980	–	100	Property investment
Five Seasons VI Pty Limited	Australia, limited liability company	AU$100	–	100	Tourism
Sparrow Early Learning Pty Limited	Australia, limited liability company	AU$51,871,919	–	97	Education services

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

55 RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

	Note	2019 RMB'000	2018 RMB'000
Associates:			
– Rental income and other charges	(i)	**109**	1,648
– Purchases of products	(ii)	**25,279**	28,188
– Sales of products	(iii)	**1,655**	–
– Loan lent	(iv)	**–**	28,000
– Receipt of loan lent	(iv)	**21,000**	–
– Interest income	(iv)	**2,207**	1,803
Joint ventures:			
– Other charges	(i)	**3,164**	4,507
– Purchases of products	(ii)	**831**	–
– Sales of products	(iii)	**16,407**	52,585
– Repayment of loans principal and related interests	(v)	**18,814**	854,825
– Interest expense	(v)	**19,065**	25,371
The associates of the Group's ultimate controlling shareholder:			
– Green building design and consultancy service income	(vi)	**3,718**	18,491
– Purchases of services	(vi)	**–**	6,840
The subsidiaries of the Group's ultimate controlling shareholder:			
– Management service income	(vi)	**4,849**	6,567
– Repayment of assigned loan	(viii)	**169,743**	–
The Group's controlling shareholder:			
– Loan received	(vii)	**–**	715,705
– Repayment of loan received	(vii)	**–**	295,952
– Interest expense	(vii)	**33,715**	18,843

55 RELATED PARTY TRANSACTIONS *(continued)*

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

Note

(i) Rental income and other charges mainly represented the arrangements about that the Group charged its associates and joint ventures for rental transactions, water and electricity expenses and other overhead costs according to the actual costs incurred.

(ii) The purchases from the associates and joint ventures were made according to the published prices offered by associates and joint venture to their major customers and were agreed by both parties.

(iii) The sales to the associate 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 is normally granted.

(iv) The Group entered into a loan agreement with Jiansheng to lend RMB28,000,000 in April 2018. As at 31 December 2019, the principal amount of RMB7,000,000 (2018: RMB28,000,000) (Note 28(i)) and interest income of RMB2,207,000 (2018: RMB1,803,000) for the year ended 31 December 2019 have not been received.

(v) On 28 December 2017 and on 13 March 2017, the Group entered into agreements with Five Seasons Cultural and FVF I L.P. to borrow RMB650,000,000 and US$53,739,000 (equivalent to RMB370,558,000) at an annual interest rate of 3% and 8% respectively. During the year ended 31 December 2018, the Group repaid US$26,870,000 (equivalent to RMB179,454,000) due to FVF I L.P. and settled the borrowing of RMB650,000,000 with its disposal of Five Seasons Cultural (Note 23). During the year ended 31 December 2019, the Group repaid the outstanding interests of RMB 18,814,000.

(vi) The transactions are carried out on terms agreed by the Group and the respective counterparties, all of which are ultimately controlled by Mr. Ji or associates of Mr. Ji, the ultimate controlling shareholder and a director of the Company.

(vii) The Group entered into several loan agreements with Magnolia during the year ended 31 December 2018. As at 31 December 2019, current amounts due to Magnolia are interest-free (2018: interest-free). Non-current amounts due to Magnolia as at the reporting period bear a effective interest rate at 4.75% (2018: 4.75%) per annum, whereby deemed shareholder contribution of RMB98,940,000 were recognised in "other reserve" for the year ended 31 December 2018 (2019: Nil).

(viii) On 13 March 2019, a deed of assignment was entered into between Jinbaolai Hongkong Trade Co., Limited (金寶來香港貿易有限公司) ("Jinbaolai"), an independent third party and Glorious Time Holdings Limited ("Glorious Time"), an entity in which Mr. Ji has beneficial interests, pursuant to which a loan receivable from the Group of US$24,184,000 (equivalent to approximately RMB169,743,000) was assigned by Jinbaolai to Glorious Time. The Group subsequently repaid the loan in full during the year.

Except for the transactions with the Group's associates and joint ventures and payment/refund of deposits for potential acquisition, all the other related party transactions are all connected transactions, some of which have been reported and announced under Chapter 14A of the Listing Rules, others are exempted from reporting, announcement and shareholder approval requirements under the Listing Rules.

55 RELATED PARTY TRANSACTIONS *(continued)*

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

The Group's outstanding with its related parties as at the end of the reporting period are disclosed in loans receivables and other receivables (Note 28), prepayments (Note 32), trade receivables (Note 31), trade and bills payables (Note 37), other payables and accruals (Note 38) and bank and other borrowings (Note 39) to the consolidated financial statements.

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

(a) As at 31 December 2018, the Group has provided guarantees to 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 of RMB1,150,000,000 in aggregate by pledging a commercial property directly held by Nanjing Deying (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 Company shall be at least HK$900,000,000 (equivalent to RMB790,351,000) and HK$550,000,000 (equivalent to RMB482,992,000), respectively; Nanjing Jiangong Industrial and Nanjing Jiangong 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 Company.

As at 31 December 2019, the Company had loan balances with the amount of RMB1,257,959,000 (2018: RMB1,199,482,000) granted by company controlled by Mr. Ji (Note 39) exceeding the above bank loans by Nanjing Jiangong Industrial and Nanjing Jiangong. In the opinion of the directors, guarantees provided by Mr. Ji shall indemnify against any liabilities arising out of the pledged assets. Accordingly, no provision for the obligation due to guarantee has been made in the Group's consolidated financial statements at the end of the reporting period.

(b) Refer to Note 51(iii) for the further details of the Group's guarantees in relation to the loan agreements of related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

55 RELATED PARTY TRANSACTIONS *(continued)*

(iv) Compensations of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	22,042	19,030
Post-employment benefits	530	441
Total compensations paid to key management personnel	22,572	19,471

(v) The number of key management personnel whose remuneration fell within the following bands is as follows:

	Number of employees 2019	 2018
HK$1 to HK$500,000	1	1
HK$500,001 to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	2	1
HK$2,500,001 to HK$3,000,000	2	1
HK$3,000,001 to HK$3,500,000	2	1
HK$3,500,001 to HK$4,000,000	–	3
HK$4,000,001 to HK$4,500,000	1	–
	11	9

Further details of directors' and chief executives' emoluments are included in Note 13 to the consolidated financial statements.

56 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(i) Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	9,663	826
Investments in subsidiaries	2,219,841	2,206,948
Financial assets at fair value through profit or loss	46,617	–
Right-of-use assets	28,483	–
	2,304,604	2,207,774
Current assets		
Amounts due from subsidiaries	16,007,985	16,287,680
Prepayments	4,679	26,850
Cash and cash equivalents	86,253	85,287
	16,098,917	16,399,817
Current liabilities		
Other payables and accruals	73,921	98,131
Bank and other borrowings	644,193	860,443
Lease liabilities	5,472	–
Corporate bonds	9,040	–
	732,626	958,574
Net current assets	15,366,291	15,441,243
Total assets less current liabilities	17,670,895	17,649,017
Non-current liabilities		
Bank and other borrowings	945,319	1,031,673
Corporate bonds	–	8,620
Derivative financial instruments	59,952	–
Lease liabilities	26,241	–
Deferred tax liabilities	44,390	44,390
	1,075,902	1,084,683
Net assets	16,594,993	16,564,334
Equity		
Share capital	160,872	161,084
Reserves	16,434,121	16,403,250
Total equity	16,594,993	16,564,334

56 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(ii) Reserve movements of the Company

	Equity reserve RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Employee share trust reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	422,833	17,491,141	82,603	–	(907,913)	(876,839)	16,211,825
Final 2017 dividend declared	–	(295,936)	–	–	–	–	(295,936)
Deemed shareholder contribution	–	–	–	–	98,940	–	98,940
Shares held for share award scheme	–	–	–	(35,258)	–	–	(35,258)
Total comprehensive income for the year	–	–	–	–	–	423,679	423,679
At 31 December 2018 and 1 January 2019	**422,833**	**17,195,205**	**82,603**	**(35,258)**	**(808,973)**	**(453,160)**	**16,403,250**
Total comprehensive income for the year	–	–	–	–	–	35,182	35,182
Share repurchased during the year	–	(4,311)	–	–	–	–	(4,311)
At 31 December 2019	**422,833**	**17,190,894**	**82,603**	**(35,258)**	**(808,973)**	**(417,978)**	**16,434,121**

57 EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of 100% equity interests of Nanjing Zhonghui Heda Business Management Co., Ltd.（南京眾慧合達商業管理有限公司）("Nanjing Heda")

On 31 December 2019, Dazu, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party, Nanjing Chuangrui Enterprise Management Co., Ltd.（南京創睿企業管理有限公司）("Nanjing Chuangrui"), pursuant to which Dazu agreed to acquire 100% equity interests of Nanjing Heda, for a consideration of RMB398,000,000. Nanjing Heda is principally engaged in property investment. At the time of acquisition, Nanjing Heda holds two floors of a shopping mall. The acquisition was made as part of the Group's strategy to increase the commercial property portfolio. The acquisition was completed in January 2020.

Details of the acquisition are set out in the announcement of the Company dated 31 December 2019.

57 EVENTS AFTER THE REPORTING PERIOD *(continued)*

(b) Formation of a limited partnership

On 15 January 2020, Dazu entered into a limited partnership agreement (the "Partnership Agreement") with two direct wholly-owned subsidiaries of Jiangsuminying Investment Holding Limited（江蘇民營投資控股有限公司）, an entity in which Dazu has approximately 10% interests as at the date of the Partnership Agreement, to form a limited partnership (the "Partnership"). Pursuant to the Partnership Agreement, Dazu would act as a limited partner and commit to contribute RMB300,000,000, representing 50% of the total commitments of the partners to the Partnership. The purpose of the Partnership is to invest in projects relating to property development and investment business.

Based on the Partnership Agreement, the term of the Partnership shall be five years commencing from the date of its formation, subject to early termination if unanimously approved by all partners.

Details of the formation of the Partnership are set out in the announcements of the Company dated 15 January 2020 and 3 February 2020 respectively.

(c) Acquisition of 100% equity interests of World Trade Plaza (Shenyang) Real Estate Co., Ltd（世貿廣場（瀋陽）置業有限公司）("World Trade Plaza Co., Ltd")

On 16 January 2020, Dazu entered into a conditional sale and purchase agreement with two independent third parties, New World (Qingdao) Real Estate Co., Ltd（新世界（青島）置地有限公司）and Top Sky Investments Limited（頂佳投資有限公司）, pursuant to which Dazu agreed to acquire 100% equity interests of World Trade Plaza Co., Ltd, for a consideration of RMB700,000,000. Word Trade Plaza Co., Ltd is principally engaged in property development and investment, hotel management, and provision of accommodation and catering services. The acquisition was made as part of the Group's strategy to enhance the property development business. At the date of approval of the consolidated financial statements, the Group has made refundable deposits of RMB60,000,000 to the vendors.

Details of the acquisition are set out in the announcement of the Company dated 16 January 2020.

(d) Novel coronavirus epidemic

Since early 2020, the outbreak of novel coronavirus epidemic (the "COVID-19 outbreak") has spread across China and other countries. At the date of approval of the consolidated financial statements, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial position and operating results of the Group. The Group will stay alert on the development of the COVID-19 outbreak, continue to assess its financial impacts and take necessary action to mitigate the business risk (where applicable).

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

Year ended 31 December	2015 RMB'000 (Restated) (Note 3)	2016 RMB'000 (Restated) (Note 2)	2017 RMB'000	2018 RMB'000 (Note 1)	**2019** **RMB'000** (Note 1)
RESULTS					
Revenue	3,095,611	4,311,423	11,026,457	10,288,651	**11,163,103**
Profit/(loss) before tax	1,446,352	3,743,202	3,112,891	(3,542,028)	**(3,213,676)**
Income tax (expense)/credit	(226,430)	(740,918)	(976,427)	479,571	**369,558**
Profit/(loss) for the year	1,219,922	3,002,284	2,136,464	(3,062,457)	**(2,844,118)**
Attributable to:					
Owners of the Company	1,217,827	3,086,019	2,267,453	(3,029,954)	**(2,874,192)**
Non-controlling interests	2,095	(83,735)	(130,989)	(32,503)	**30,074**
	1,219,922	3,002,284	2,136,464	(3,062,457)	**(2,844,118)**
ASSETS AND LIABILITIES					
Total assets	9,366,366	48,412,715	54,423,653	50,056,703	**43,792,119**
Total liabilities	(4,048,130)	(22,099,045)	(27,219,954)	(26,156,166)	**(22,924,298)**
Total equity	5,318,236	26,313,670	27,203,699	23,900,537	**20,867,821**
Attributable to:					
Equity shareholders of the Company	5,082,000	22,538,300	23,991,436	20,695,500	**17,608,558**
Non-controlling interests	236,236	3,775,370	3,212,263	3,205,037	**3,259,263**
	5,318,236	26,313,670	27,203,699	23,900,537	**20,867,821**

Note:

(1) The financial figures for the years ended 2018 and 2019 were extracted from the consolidated financial statements.

(2) The financial figures for the year ended 2016 have been restated due to the completion of the purchase price allocation of certain business combinations took place in the year ended 2016, as disclosed in Note 2.4 to the consolidated financial statements of the 2017 annual report.

(3) The financial figures for the year ended 2015 were extracted from the 2016 annual report and the financial figures has been restated due to application of merger accounting for business combination under common control in respect of the acquisition of Shenzhen Anke Group, Five Seasons VI and Fullshare Group Pte. Ltd. No retrospective adjustment for the common control combinations during the year ended 2019 were made on the financial figures for the year 2015.