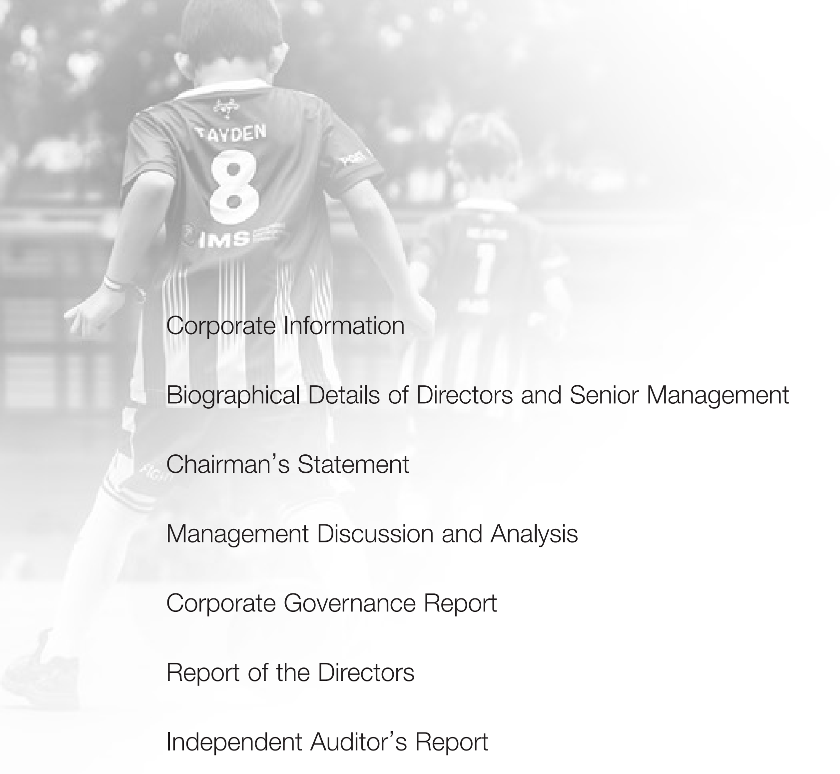
Fullshare Holdings Limited
豐盛控股有限公司

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

Annual Report
2018



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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Ji Changqun *(Chairman and CEO)*
Mr. Wang Bo
Ms. Du Wei (appointed on 7 July 2018)
Mr. Shi Zhiqiang (resigned on 7 July 2018)

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

COMPANY SECRETARY

Ms. Seto Ying

AUTHORISED REPRESENTATIVES

Mr. Wang Bo
Ms. Seto Ying

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Ms. Du Wei *(Chairman)* (appointed on 7 July 2018)
Mr. Wang Bo
Mr. Tsang Sai Chung
Mr. Shi Zhiqiang (resigned on 7 July 2018)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (ESTABLISHED ON 7 JULY 2018)

Mr. Wang Bo *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
Bank of Communications Co., Ltd.
UBS AG
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Jiangsu Co., Ltd
Nanjing Bank Co., Ltd
Bank of China Travel Service Co., Ltd Jiaozuo

LEGAL ADVISER

Baker & McKenzie

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 10-12, Level 43, Champion Tower
Three Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 22
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 Director

Mr. Ji Changqun (“Mr. Ji”), aged 50, was appointed as an executive director of Fullshare Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), chief executive officer, the chairman of the board (the “**Board**”) of directors (the “**Directors**”), the chairman of nomination committee (the “**Nomination Committee**”) and a member of remuneration committee (the “**Remuneration Committee**”) of the Company on 12 December 2013. Mr. Ji is responsible for the Group’s strategic control and organization development. Mr. Ji has over ten 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 was a director and the chairman 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**”). He obtained a diploma of adult higher education majoring in highway and city road issued by Nanjing Associated Workers’ College（南京聯合職工大學）in February 1999. 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 worked as the project manager and the branch manager of Nanjing Jiasheng Infrastructure Engineering Co., Limited*（南京嘉盛基礎建設工程有限公司）from March 1993 to August 1995. Mr. Ji worked as the deputy general manager and the general manager of Jiasheng Construction Group Co., Limited*（嘉盛建設集團有限公司）from September 1995 to November 2011. 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. Mr. Ji was awarded with various honors, including Nanjing Model Worker in 2006, Outstanding Contribution Entrepreneur of Jiangsu Construction Industry（江蘇省建築業突出貢獻企業家）in 2007, Nanjing Guangcai Programme Star（南京市光彩事業之星）in 2010, National Outstanding Entrepreneur on Staff Caring in Private Sector（全國關愛員工優秀民營企業家）in 2011, May 1 Labour Medal award winner of Jiangsu Province（江蘇省五一勞動獎章）in 2012, Outstanding Builder of Socialism with Chinese Characteristics of Jiangsu Province（江蘇省優秀中國特色社會主義事業建設者）in 2012, Top 10 Integrity Models（十大誠信標兵）issued by Jiangsu Province in 2012, the 4th Outstanding Entrepreneur of Jiangsu Province in 2013 （二零一三年第四屆江蘇省優秀企業家）and the Most Influential Brand Character in the Health Industry in 2013 （二零一三年健康產業最具影響力品牌人物）.

Biographical Details of Directors and Senior Management

Mr. Wang Bo ("Mr. Wang"), aged 38, was appointed as an executive Director of the Company on 10 September 2014, a member of risk management committee (the "**Risk Management Committee**") of the Company on 16 December 2016 and the chairman of environmental, social and governance committee (the "**ESG Committee**") of the Company on 7 July 2018. Mr. Wang is responsible for Group's overseas investment and financing, operation and management of education segment, management of the Group's Hong Kong office and hosting general meetings and board meetings of the Company. Mr. Wang is also responsible for assisting the investor relations (the "**IR**") and public relations (the "**PR**") of the Company. 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 the chairman and a 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**"), 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.

Ms. Du Wei ("Ms. Du"), aged 38, was appointed as an executive Director, the chairman of Risk Management Committee and a member of ESG Committee of the Company on 7 July 2018. Ms. Du is responsible for the Group's human resources strategic planning, organizational system construction, corporate culture construction, compensation incentives, performance management, execution evaluation and development. Ms. Du obtained Bachelor of Tourism Management from Nanjing Normal University, China, in 2002 and Master of Business Administration from Nanjing Normal University, China, in 2014. Ms. Du has more than 16 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. 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

Independent Non-executive Directors

Mr. Lau Chi Keung ("Mr. Lau"), aged 70, was appointed as an independent non-executive Director, the chairman of Remuneration Committee, a member of Nomination Committee and audit committee (the "**Audit Committee**") of the Company on 12 December 2013. Mr. Lau has over 44 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 ADHL, a company listed on 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.

Mr. Chow Siu Lui ("Mr. Chow"), aged 58, was appointed as an independent non-executive Director and the chairman of Audit Committee of the Company on 12 December 2013. 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 Group. He is a core member of the investment committee and responsible for VMS Group's 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 (formerly known as Universal Medical Financial & Technical Advisory Services 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)) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), respectively. He acted as an independent non-executive director of Shi Shi Services Limited (formerly known as Kong Shum Union Property Management (Holding) Limited, whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8181)) from February 2015 to October 2015 and 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 Institute of Chartered Secretaries and Administrators and HKICS both in October 2009, and the HKICPA in December 1993.

Biographical Details of Directors and Senior Management

Mr. Tsang Sai Chung ("Mr. Tsang"), aged 55, was appointed as an independent non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company on 12 December 2013, a member of Risk Management Committee of the Company on 16 December 2016, and a member of ESG Committee of the Company on 7 July 2018. Mr. Tsang obtained a bachelor's degree of arts from the University of Hong Kong and then later on completed PCLL 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: 00190). Mr. Tsang was the general counsel and company secretary of Sa Sa International Holdings Limited (stock code: 00178) and Pacific Century Premium Developments Limited (stock code: 00432) respectively. HKC (Holdings) Limited, Sa Sa International Holdings Limited and Pacific Century Premium Developments Limited are companies listed on the Stock Exchange.

Senior Management

Mr. Shi Zhiqiang ("Mr. Shi"), aged 43, is the senior vice president of the Company. Mr. Shi is responsible for assisting the Chairman of the Board in charge of the strategic control and organizational development of the Company, and tourism and other business segments management; the management of the president's office; and non-real estate investment business in the PRC. 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 and the chairman of the Risk Management Committee of the Company from December 2016 to July 2018 respectively.

Mr. Sheng Yuxin ("Mr. Sheng"), aged 51, joined the Company since February 2018 and is the vice president of the Company. Mr. Sheng is responsible for capitals, financing, funding, financial management as well as IR of the Group and is involved in investment decision and financial business. Mr. Sheng obtained a master's degree majoring in business administration from Nanjing University and a doctoral degree majoring in business administration in global financial management from a program co-organized by Shanghai Advanced Institute of Finance at Shanghai Jiao Tong University and Arizona State University, the USA. He has a professional qualification of senior accountant and is a leader of the first national accounting talents. He is also an industrial professor in Jiangsu province. He has over 30 years of experience in accounting and financial management in the PRC. He worked as minister of finance (Chinese finance director) of Dongfeng Yueda KIA Motor Co., Ltd. from June 2000 to September 2010. He was the general manager of financial department and finance director in GCL-Poly Energy Holdings Limited from September 2010 to July 2012. He was finance director of Hengtong Group from July 2012 to April 2014. He was vice president of GCL-Poly Energy Holdings Limited from May 2014 to January 2015. He acted as director, chief financial officer and deputy general manager of GCL System Integration Technology Co., Ltd. from January 2015 to December 2017.

Biographical Details of Directors and Senior Management

Mr. Lu Jian ("Mr. Lu"), aged 50, joined the Company since July 2017 and is the president of the property construction business department and tourism development business department of the Company. He is responsible for the investment, development, construction and operation related to the businesses of tourism and property segments of the Company. Mr. Lu has over 25 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 37, joined the Company since August 2016 and is the chief risk officer and head of legal compliance department of the Company. Mr. Zhou is responsible for the legal compliance, overall risk management of the Group, and liaison with the regulatory authorities. 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.

Mr. Jack Tsai ("Mr. Tsai"), aged 38, joined the Company since February 2016 and is the chief portfolio officer of the Company. Mr. Tsai is responsible for Hong Kong and overseas investment and financing of the Group. Mr. Tsai has over 16 years of investing experience in the Asia Pacific markets and was formerly executive director and responsible officer of VTB Capital (HK) Limited ("**VTB Capital**") in charge of Greater China investments and financing. Prior to joining VTB Capital, Mr. Tsai was a director at Deutsche Bank AG's Strategic Investment Group where he was responsible for pan-Asia special situations investing and distressed debt trading. In addition, Mr. Tsai was a financial analyst at Morgan Stanley Private Equity Asia. Mr. Tsai holds a Bachelor of Science in Economics (Finance) from the Wharton School of the University of Pennsylvania and a Bachelor of Arts in International Studies from the University of Pennsylvania.

Mr. Daniel Tao ("Mr. Tao"), aged 52, joined the Company since December 2015 and is a chief brand officer of the Company. Mr. Tao is mainly responsible for the Group's overall brand management, promotion, marketing, PR and PR crisis. Mr. Tao has more than 20 years of experience in marketing communications, and has served state government and multi-national companies. He has also acted as agency and client, worked in the PRC and overseas for years, with experience in various industry sectors and job duties. He joined the Ogilvy Group in early 1990's as an account executive in advertising and was one of the key contributors to Ogilvy's early growth in the China market place. He was transferred to Ogilvy Interactive in late 1990's and was not only a pioneer in China's interactive marketing business but also one of the key contributors to Ogilvy's interactive marketing business growth in China. In the year of 2014, Mr. Tao was appointed as the executive vice-president of Ogilvy Group in Guangzhou. Mr. Tao holds a Bachelor of Arts degree from China Institute of Diplomacy and a postgraduate diploma in Direct and Database Marketing from the Institute of Direct Marketing of the United Kingdom.

Ms. Seto Ying ("Ms. Seto"), aged 42, was appointed as the company secretary and the financial controller 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 monitoring the Hong Kong daily financial operation 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 and a member of the HKICS. Ms. Seto has more than 20 years of experience in the field of finance and accounting 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,

On behalf of the board of directors, I hereby present to you performance of the Company and its subsidiaries (the "**Group**") in 2018: as at 31 December 2018, total assets of the Group were approximately RMB50.057 billion and its annual revenue for the year 2018 amounted to approximately RMB10.289 billion.

Looking back into 2018, volatility has been seen in both global economic environment and domestic macro policies. In such a context, the Company kept on monitoring changes to policies and gradually improved its business layout and optimized its structure with a focus on the five core business segments of new energy-fueled high-end equipment manufacturing, healthcare tourism, overseas education, green real estate and consolidated investment, in order to achieve better development in the future.

In 2018, under the influence of the wind power industry, the revenue of China High Speed Transmission Equipment Group Co., Ltd. (00658.hk), a subsidiary of the Company, decreased to some extent. However, the Company continued to develop innovative products and deliver high-quality products. For instance, its self-developed gearboxes for CRH380B multiple units named "Hexie Hao" at a speed of 380km/h has successfully obtained the trial-based certification; and the gearboxes for multiple units named "Fuxing Hao" at a speed of 250km/h has successfully passed experts' technical review, which means that gear products are already qualified for supplying high-speed rail equipment. Meanwhile, sales in the US and European markets also showed a gradual increase momentum.

The healthcare tourism industry will gradually become the development focus of the Company. According to statistics from the Ministry of Culture and Tourism of the PRC, in 2018, the number of outbound Chinese citizens as tourists reached 150 million, representing an increase of 14.7% over the same period of the previous year; and the number of domestic tourists reached 5.54 billion, representing an increase of 10.8% over the same period of the previous year. According to preliminary statistics, overall contributions from the national tourism industry accounted for 11.04% of China's GDP in 2018, and the tourism industry is becoming an important growth point of the national economy. According to the Plan for Healthy China 2030 (《"健康中國 2030" 規劃綱要》) promulgated by the State Council, the size of the healthcare service industry will reach RMB16 trillion in 2030, while in 2018, the size of China's healthcare service industry was about RMB5 trillion. The Company has reason to believe that the healthcare tourism industry will maintain sustained and stable development for quite a long time in the future, and the Company will also adhere to its development strategy in the healthcare tourism industry.

In 2018, the Company began to gradually build the healthcare tourism industrial chain of "Investment + Finance + Supply Chain + Platform + Destination + Product + Operation". It initiated negotiation and launched supply chain services respectively with major tourism Internet platforms, offline travel agencies in Beijing and other areas, destination suppliers, product suppliers, scenic spots, airline companies, insurance companies, financial institutions and other enterprises involved in the tourism industrial chain, to provide business partners with supports in supply chain, product, channel, finance and other aspects. Development of the urban commercial and leisure business of the Company is also becoming more and more stable. The daily average customer flow of both the Yuhua Salon（雨花客廳）commercial project and the Wonder City（虹悦城）project in Nanjing exceeded 50,000.

Chairman's Statement

In 2019, the Company will continue to develop the healthcare tourism segment and strive to build such a platform with tourism resource B2B business + credit risk control + financial support through a variety of approaches including investments, mergers and acquisitions and business cooperation, with a view of supporting and improving the tourism supply chain services. Through steady strategy adjustment as well as step-by-step business transformation and upgrade, the Company is expected to gradually increase its revenue while improving its operation and anti-risk ability. The Company will continue to strengthen corporate governance, raise the standard of corporate governance and enhance its transparency, so as to lay a solid foundation for enhancing the investment value of the Company.

Ji Changqun
Chairman of the Board

Hong Kong, 29 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

The revenue of Fullshare Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year 2018**") 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 2018, the Group had contracted sales of approximately Renminbi ("**RMB**") 232,180,000, representing a decrease of approximately 82% as compared with the year ended 31 December 2017 (the "**Year 2017**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 10,352 sq.m., representing a decrease of approximately 86% as compared with the Year 2017. The contract sales in the Year 2018 were mainly contributed by Yuhua Salon Project. As at 31 December 2018, the Group's contracted sales for the contracts signed but properties not yet delivered were approximately RMB105,413,000 with a total GFA of 5,846 sq.m.. The decrease in contracted sales and GFA was mainly due to substantial completion of sales for certain projects in 2017. The average contracted selling price in the Year 2018 was approximately RMB22,428 per sq.m., representing an increase of approximately 30% as compared with the Year 2017.

As at 31 December 2018, 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.)*	GFA to be constructed *(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 People's Republic of China ("**PRC**")	Office and commercial project	Completed	Completed	33,606	78,165	–	–	52,612	100%
Yuhua Salon（雨花客廳）A2	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office project	Under construction	Third quarter of 2019	30,416	–	14,461	–	–	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	118,690	–	–	67,948	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	133,538	–	–	67,875	100%
Amber Garden（琥珀花園）	1 and 2 Jiadong, Xishanqiaojiedao, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Residential project	Completed	Completed	79,717	214,227	–	–	165,790	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	–	–	41,281	100%
Ma'anshan Project（馬鞍山項目）	23 Huaxili, No. 505 Huaxi Road, Huashan District, Ma'anshan, the PRC	Residential and commercial project	Under construction	Second quarter of 2023	422,591	7,099	–	252,814	6,168	65%
					706,347	697,709	14,461	252,814	401,674	

(b) *Investment properties*

During the Year 2018, 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	91,858	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	3,307	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%
				253,664	

(c) Green building services and entrusted construction services

During the Year 2018, the Group engaged in providing technical design and consulting services, green management services and entrusted construction services in the PRC. During the Year 2018, the revenue from both green building services and entrusted construction services was approximately RMB70,228,000 (2017: RMB129,525,000).

(2) Tourism business

In 2018, the Group gradually developed tourism business, to build an industrial layout that combines investment and operating business, and integrates long-term and short-term investments. The tourism property projects currently invested and held by the Group include the Laguna project in Queensland, Australia, the Sheraton project in Australia, the Jinling Five Seasons Hotel project in Nanjing and the Hainan Wenchang Five Seasons Hotel project.

The Laguna project is located in Bloomsbury of Queensland in Australia, adjacent to a large-scale comprehensive development project in 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. Since the refurbishment of Sheraton Mirage Resort and other nearby facilities including the lobby, guest rooms, golf clubhouse, indoor landscape and outdoor landscape, positive feedbacks have been received from customers on its overall refurbishment quality. During the Year 2018, 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 has a total GFA of approximately 62,328 sq.m.

Nanjing Jinling Five Seasons Hotel is located in the Software Valley, Nanjing, Jiangsu Province, and covers an estimated aggregate GFA of 66,919 sq.m.. The hotel is expected to open for business in the second quarter of 2019.

Wenchang Five Seasons Hotel project is located in the coastal area of Gaolong Bay, Qinglan, Wenchang City, Hainan Province. It is planned to be built into a five-star health living resort with a site area of 61,689 sq.m. The compilation of the detailed planning and design proposal for construction has been completed.

Currently, the Group has engaged in tourism supply chain business, involving providing domestic and overseas procurement agency and centralised procurement services for the upstream and downstream of the tourism supply chain, including sales of airline tickets, hotels, entrance tickets and tourist routes 60 travel agencies. The Group's partners include resource suppliers, large-scale outbound tourism companies, online travel agency platforms and local guide agencies. In the sector of tourism supply chain business, the Group started to plan and build a tourism resource business to business (B2B) business platform, credit risk control system and financial support platform, to support and improve the tourism supply chain and supply chain to platform to business (S2B), business to business to consumer (B2B2C) businesses.

During the Year 2018, the revenue from tourism business was approximately RMB628,930,000 (2017: RMB167,453,000).

(3) Investment and financial services business

During the Year 2018, 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 2018 and 2017 is set out as follows:

As at 31 December 2018

Stock code	Name	Number of shares held (Note 3)	Effective shareholding interest as at 31 December 2018	Acquisition cost *RMB'000*	Carrying amount as at 31 December 2018 *RMB'000*	Unrealised holding gain/ (loss) arising on revaluation for the year ended 31 December 2018 *RMB'000*	Realised gain (loss) arising from disposal for the year ended 31 December 2018 *RMB'000*	Dividend received/ receivable for the year ended 31 December 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 Smart Commerce Group Ltd. ("**Zall Group**")	949,224,000	8.13%	1,307,463	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	–	0.00%	–	–	–	9,367	–
					3,860,433	(3,636,828)	(6,759)	35,178

Notes:

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

2. The company is a listed company 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.

Management Discussion and Analysis

As at 31 December 2017

Stock code (Note 1)	Name	Number of shares held (Note 2)	Effective shareholding interest as at 31 December 2017	Acquisition cost RMB'000	Carrying amount as at 31 December 2017 RMB'000	Unrealised holding gain/ (loss) arising on revaluation for the year ended 31 December 2017 RMB'000	Realised gain (loss) arising from disposal for the year ended 31 December 2017 RMB'000	Dividend received/ receivable for the year ended 31 December 2017 RMB'000
153.HK	China Saite Group Company Limited	203,800,000	8.74%	95,024	95,194	5,370	–	–
1908.HK	C&D International Investment Group Limited	60,000,000	8.16%	218,666	345,317	99,931	–	3,488
2098.HK	Zall Group	949,224,000	8.16%	947,452	6,761,509	1,991,988	–	–
8307.HK	Medicskin Holdings Limited	80,000,000	16.65%	45,334	40,037	(18,980)	–	3,512
3332.HK	Nanjing Sinolife United Company Limited	–	0.00%	–	–	–	(2,644)	4,800
					7,242,057	2,078,309	(2,644)	11,800

Notes:

1. All of the above companies are listed companies on the Stock Exchange.

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

The performance and prospect of the Group's major investment during the Year 2018 are as follow:

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 8.13% of its entire issued capital as at 31 December 2018 (31 December 2017: 8.16%). The carrying amount of the investment in Zall Group accounted for approximately 7% of the Group's total assets as at 31 December 2018 (31 December 2017: 12%). 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.

b) Other investments

During the Year 2018, apart from the above listed equity investments, the Group continued to monitor the portfolio performance and adjust the investment 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*

As the subsidiaries of the Group, Baoqiao Group, a group of companies acquired by the Group in 2016, offered 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, money lending services and securities trading services.

During the Year 2018, this segment recorded a loss of approximately RMB3,220,116,000 (2017: profit of approximately RMB2,202,884,000). The loss before tax from the fair value changes in financial instruments for the Year 2018 of approximately RMB3,555,856,000 (2017: gain before tax of approximately RMB1,907,073,000) was mainly attributable to changes in share price of Zall Group. The loss from fair value changes after tax of the financial instruments at fair value through other comprehensive income and available-for-sale investments was approximately RMB189,523,000 (2017: RMB252,860,000). As at 31 December 2018, the total amount of financial assets at fair value through profit or loss, was approximately RMB7,352,513,000 (2017: RMB7,931,769,000), and the total amount of financial assets at fair value through other comprehensive income and available-for-sale investments held by the Group was approximately RMB4,904,854,000 (2017: RMB4,894,177,000).

(4) Healthcare and education business and others

During the Year 2018, the Group continued to identify appropriate investment opportunities to inject new impetus for the sustainable development of healthcare and education businesses. The revenue of healthcare and education segment was approximately RMB366,224,000 (2017: RMB560,825,000).

(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 2018, the segment has contributed revenue of approximately RMB8,509,022,000 (2017: RMB8,241,914,000) 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 and 3MW wind power transmission equipment which are 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 5MW and 6MW 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.

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, Nordex, Senvion, Unison, Suzlon, Inox Wind, etc. With quality products and good services, the Group has also received a wide range of recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the USA, 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.

Management Discussion and Analysis

(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. 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 self-developed standardized and modular products which are internationally competitive, in order to facilitate the change in sales strategies and explore new markets and new industries; 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 Company'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 International Railway Industry Standard (IRIS) certificate 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, Qingdao, Dalian, Suzhou, Lanzhou, Nanchang, Shijiazhuang, Fuzhou, Jinan, Wenzhou, Xi'an, Wuhan, Hong Kong, Singapore, Brazil, India, Mexico, Tunisia and Australia. 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 box that is used in the metro of Shanghai, Hong Kong and Melbourne is PDM385 type two-stage metro gear box, which was 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 compacted structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components can endure for a period of 35 years.

(c) Disposal of loss-making business

During the Year 2018, the Group continued its strategy to divest the loss-making business to enhance its overall performance. On 23 November 2018, the Group entered into a bundle transaction with an independent third party to dispose of its entire equity interests of ten subsidiaries and four associates (the "**Disposal Group**"), of which some are engaging in manufacturing and sales of computer numerical controlled machine tool and diesel engine products. As at the date of this report, the disposal of the Disposal Group under the equity transfer agreement was still not completed and is expected to be completed in 2019.

Management Discussion and Analysis

PROSPECT

Looking forward to 2019, the Group will focus on developing the healthcare tourism industry（康旅產業）. Pursuing the idea of the industrial platform, the Group will concentrate on resources deployment and operation and management of the healthcare business and tourism business. The Company will, through self-operating, investment in equities, cooperation and other possible methods, make the layout of its resources (such as, hospitality, scenic destinations, healthcare services, healthcare goods and new businesses), platforms (B2B and B2C tourism platforms), branding and media marketing as well as the financing and payment in order to form a healthcare tourism platform and a business ecosystem with complete industrial levels, business synergy and transaction logic. Through resource integration, the Company will be able to enhance its market competitiveness, meet the demands of customer groups and partners, and is expected to achieve the anticipated return on investments.

Stable development is one of the principal targets of the Group for 2019. The Group will continue to closely monitor changes in the policy environment, market environment and business environment, maintain healthy financial management policies, further enhance the effectiveness of usage of capital, strengthen internal corporate governance, control operational risks and enhance its risk resistance capability.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately RMB737,806,000, or 7%, from approximately RMB11,026,457,000 in Year 2017 to approximately RMB10,288,651,000 in Year 2018. The revenue in Year 2018 was derived from the properties segment, tourism segment, investment and financial services segment, healthcare, education and others segment and new energy segment of approximately RMB773,549,000, RMB628,930,000, RMB10,926,000, RMB366,224,000 and RMB8,509,022,000 respectively, and the revenue in Year 2017 was derived from the properties segment, tourism segment, investment and financial services segment, healthcare, education and others segment and new energy segment of approximately RMB2,007,216,000, RMB167,453,000, RMB49,049,000, RMB560,825,000 and RMB8,241,914,000 respectively.

In Year 2018, the revenue of the properties segment decreased by approximately RMB1,233,667,000 or 61%, as compared to Year 2017. The properties segment includes investment, development and sales of properties and provision of construction related services. The decrease in revenue was mainly due to the decrease in sales of properties by approximately RMB1,222,305,000 from approximately RMB1,704,330,000 in Year 2017 to approximately RMB482,025,000 in Year 2018. Fewer properties were delivered because certain projects are still in construction stage and the Group delivered fewer property units among the completed projects in Year 2018.

The revenue of the tourism segment increased by approximately RMB461,477,000, or 276% as compared to Year 2017. The main reason was that in addition to the revenue derived from a hotel operated in Australia, the Group has made more efforts on tourism supply chain business to improve the overall revenue of tourism segment in Year 2018.

The revenue of the investment and financial services segment decreased by approximately RMB38,123,000, or 78% as compared to Year 2017. This was mainly because there were larger scales of financial service projects in Year 2017, while there was no such project of similar scale in Year 2018.

The revenue of the healthcare, education and others segment decreased by approximately RMB194,601,000, or 35% as compared to Year 2017, which was mainly due to the disposal of Shenzhen Anke High Technology Company Limited*（深圳安科高技術股份有限公司）and its subsidiaries ("**Shenzhen Anke Group**") in December 2017. Shenzhen Anke Group is principally engaged in medical equipment assembly and sale. Excluding the effects resulted from the disposal of Shenzhen Anke Group, the revenue of childhood education project in Australia and the sales of other products showed a growth of approximately 73% as compared to Year 2017.

The revenue of the new energy segment slightly increased by approximately RMB267,108,000, or 3% as compared to Year 2017, which was mainly due to the increase in deliveries of wind and industrial gear transmission equipment.

Cost of sales

The cost of sales of the Group increased by approximately RMB254,254,000, or 3%, from approximately RMB8,066,730,000 in Year 2017 to approximately RMB8,320,984,000 in Year 2018. The costs of sales in Year 2018 derived from the properties segment, tourism segment, investment and financial services segment, healthcare, education and others segment and new energy segment were approximately RMB343,896,000, RMB618,689,000, RMB4,397,000, RMB323,064,000 and RMB7,030,938,000 respectively, whereas the cost of sales in Year 2017 derived from the properties segment, tourism segment, investment and financial services segment, healthcare, education and others segment and new energy segment were approximately RMB1,054,162,000, RMB179,237,000, RMB1,789,000, RMB446,695,000 and RMB6,384,847,000 respectively.

The cost of sales for the properties segment decreased by approximately RMB710,266,000, or 67% as compared to Year 2017, which was mainly due to the decrease in the properties projects delivered during Year 2018.

Cost of sales of the tourism segment increased by approximately RMB439,452,000, or 245% as compared to Year 2017, which was mainly resulted from the growth of tourism supply chain business during Year 2018.

The amount of cost of sales of the investment and financial services segment slightly increased by approximately RMB2,608,000, as compared to Year 2017.

Cost of sales of the healthcare, education and others segment decreased by approximately RMB123,631,000, or 28% as compared to Year 2017, which was mainly because of the disposal of Shenzhen Anke Group in December 2017.

The cost of sales of the new energy segment includes the impact of the accounting adjustment of approximately RMB96,572,000 (For Year 2017: RMB311,976,000) made on the premium over the cost of inventory and other non-current assets upon the acquisition of China High Speed Transmission Equipment Group Co. Ltd. ("**CHS**") in late 2016. If this accounting adjustment was excluded, the cost of sales would be approximately RMB6,934,366,000 in Year 2018. The cost of sales after excluding such consolidated adjustment was approximately RMB6,072,871,000 in Year 2017. Therefore, the cost of sales increased by approximately RMB861,495,000, or 14% as compared to Year 2017. The increase was mainly due to the increase in prices of raw materials.

Management Discussion and Analysis

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately RMB992,060,000, or 34%, from approximately RMB2,959,727,000 in Year 2017 to approximately RMB1,967,667,000 in Year 2018. The gross profit margin decreased from 27% in Year 2017 to 19% in Year 2018. The gross profit of the Group was mainly derived from properties segment and new energy segment. The gross profit and gross profit margin in Year 2018 derived from the properties segment and new energy segment were approximately RMB429,653,000 and 56%, and approximately RMB1,478,084,000 and 17% respectively. The gross profit and gross profit margin in Year 2017 derived from the properties segment and new energy segment were approximately RMB953,054,000 and 47%, and approximately RMB1,857,067,000 and 23% respectively. The decrease in gross profit of the properties segment was mainly due to the decrease in delivered properties as compared with that in Year 2017. However, the increase in rental income with a higher gross profit margin resulted in an increase in gross profit margin of properties segment. In addition, the decrease in the gross profit and gross profit margin of the new energy segment was due to the increase in cost of sales.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately RMB126,369,000, or 23%, from approximately RMB544,894,000 in Year 2017 to approximately RMB418,525,000 in Year 2018, which was mainly due to the selling and distribution expenses of certain disposed subsidiaries in Year 2017 not being recorded in Year 2018. Moreover, the decline in sales revenue from properties segment in Year 2018 resulted in a corresponding decrease in the related selling expenses, such as promotion and commission expenses.

Administrative expenses and credit impairment losses on financial assets

Administrative expenses and credit impairment losses on financial assets of the Group decreased by approximately RMB73,747,000 or 6%, from approximately RMB1,282,631,000 in Year 2017 to approximately RMB1,208,884,000 in Year 2018. The administrative expenses in Year 2018 and Year 2017 mainly included salaries and staff welfare, depreciation and amortization of tangible and intangible assets, credit impairment losses on financial assets and professional fees. Decrease in administrative expenses in Year 2018 was mainly due to the decrease in salaries and staff welfare and credit impairment losses on financial assets.

Other income

Other income increased by approximately RMB299,129,000, or 59%, from approximately RMB510,589,000 in Year 2017 to approximately RMB809,718,000 in Year 2018. Other income in 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. Other income in Year 2017 mainly included other interest income of approximately RMB167,240,000, bank interest income of approximately RMB120,779,000 and dividend income of approximately RMB120,902,000.

Management Discussion and Analysis

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 RMB3,555,856,000 in Year 2018, as compared to a gain on change in fair value of approximately RMB1,907,073,000 in Year 2017. The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss in Year 2018 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.

Other gains – net

Net other gains of the Group comprises of miscellaneous non-recurring items, mainly the fair value change of investment properties, gains/losses of disposal of non-current assets, subsidiaries and associates, impairment loss of the non-current assets and foreign exchange differences. It decreased by approximately RMB234,077,000, or 58%, from approximately RMB402,341,000 in Year 2017 to approximately RMB168,264,000 in Year 2018. The decrease was mainly because there was a fair value gain of RMB416,137,000 derived from the Group's transfer of certain parts of its shopping mall from properties held for sale to investment properties in Year 2017 while no such transfer happened in Year 2018. Such decrease was partly offset by the decrease in foreign exchange losses. Due to a relatively more stable foreign exchange rates in Year 2018 than in Year 2017, the exchange difference losses decreased significantly. In Year 2018, the net exchange difference losses was approximately RMB5,340,000 (Year 2017: approximately RMB110,831,000). During Year 2018, there were less gain/losses and impairment losses of those non-current assets and investments compared with Year 2017.

Share of result of joint ventures

The Group's share of result from its joint ventures decreased from share of net profits of approximately RMB152,950,000 in Year 2017 to share of net loss of approximately RMB22,327,000 in Year 2018 which was mainly because (i) the Group shared losses of Fullshare Value Fund I L.P. ("**Value Fund**") of approximately RMB50,477,000 in Year 2018. It is noted that more finance costs and exchange differences losses were recognised for Value Fund. In Year 2017, the share of loss from Value Fund was approximately RMB1,529,000; (ii) the Group shared fewer profits of Five Season Cultural Tourism Development Limited*（五季文化旅遊發展有限公司）("**Five Seasons Culture**") from RMB80,319,000 in Year 2017 to RMB23,412,000 in Year 2018 because Five Seasons Culture was disposed of during Year 2018.

Finance costs

Finance costs of the Group increased by approximately RMB217,696,000, or 30%, from approximately RMB731,051,000 in Year 2017 to approximately RMB948,747,000 in Year 2018, which was mainly because the average borrowing amount and interest rate of the Group in Year 2018 is larger and higher than that in Year 2017.

Income tax expense

In Year 2018, the current income tax expense and the deferred tax credit of the Group amounted to approximately RMB162,036,000 and RMB641,607,000, respectively, and in Year 2017, the current income tax and the deferred tax expense amounted to approximately RMB690,423,000 and RMB286,004,000, respectively.

In Year 2018, the current income tax expense decreased by approximately RMB528,387,000 as compared to Year 2017, which was mainly due to less profit generated from the properties and new energy segments than in Year 2017.

The deferred tax credit in 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 CHS when the non-current assets were amortized and disposed of. The deferred tax expense in Year 2017 was mainly derived from the fair value gains in financial instruments of approximately RMB342,303,000 and fair value gains on investment properties of approximately RMB132,823,000; deferred tax credit from unpaid land appreciation tax provision of approximately RMB60,505,000 and reversal of deferred tax liabilities of approximately RMB119,464,000 recognised at the date of acquisition of CHS when the inventories were sold and non-current assets were amortized.

Loss/profit for the Year

In Year 2018, the Group recorded a loss after tax of approximately RMB3,062,457,000. Excluding the net gains on disposal of subsidiaries of approximately RMB95,476,000, gain on a bargain purchase recognised in acquisition of subsidiaries of approximately RMB7,667,000 and relevant tax expense of approximately RMB10,404,000, the net loss recorded by the Group in Year 2018 was approximately RMB3,155,196,000. In Year 2017, the Group recorded a profit of approximately RMB2,136,464,000. Excluding the net gains on disposal of subsidiaries of approximately RMB364,534,000, gain on bargain purchase recognised in acquisition of subsidiaries of approximately RMB38,038,000 and the relevant tax expenses of approximately RMB145,698,000 for the abovementioned gains, the Group recorded a net profit for approximately RMB1,879,590,000 for Year 2017. Compared with Year 2017, the change was mainly due to the decrease in net fair value after tax in financial instruments of approximately RMB4,559,311,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

In Year 2018, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Cash position

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB2,536,801,000 (31 December 2017: approximately RMB5,221,679,000) excluding pledged bank deposits, represented a decrease by approximately RMB2,684,878,000, or 51% as compared to 31 December 2017.

Bank and other borrowings

As at 31 December 2018, bank and other borrowings of the Group amounted to approximately RMB10,464,418,000 including bank loans of approximately RMB6,477,804,000 and other borrowings of approximately RMB3,986,614,000. Among the bank and other borrowings, approximately RMB7,020,106,000 are repayable within one year, approximately RMB1,152,269,000 are repayable over one year but not exceeding two years, RMB1,731,923,000 are repayable over two years but not exceeding five years and approximately RMB560,120,000 are repayable over five years.

The borrowings balance decreased by approximately RMB1,588,023,000 or 13%, from 31 December 2017 to 31 December 2018.

Corporate bonds

As at 31 December 2018, the corporate bonds of the Group amounted to approximately RMB2,420,085,000 (31 December 2017: RMB1,919,988,000). The interest rate was fixed, the balances of approximately RMB1,921,937,000 were repayable over one year but not exceeding two years and balances of approximately RMB498,148,000 were repayable over two years but not exceeding five years. The corporate bonds of approximately RMB2,411,465,000 and RMB8,620,000 were denominated in RMB and Hong Kong dollars respectively.

Leverage

As at 31 December 2018, total cash and cash equivalents of the Group amounted to approximately RMB2,536,801,000 (31 December 2017: RMB5,221,679,000), excluding pledged bank deposits. Total balances of bank and other borrowings and corporate bonds amounted to approximately RMB12,884,503,000 as at 31 December 2018 (31 December 2017: RMB13,972,429,000). The gearing ratio of the Group as at 31 December 2018, calculated as a ratio of the sum of bank and other borrowings and corporate bonds to total assets, was approximately 26% (31 December 2017: 26%). The net equity of the Group as at 31 December 2018 was approximately RMB23,900,537,000 (31 December 2017: approximately RMB27,203,699,000).

As at 31 December 2018, the Group recorded total current assets of approximately RMB27,966,791,000 (31 December 2017: RMB31,630,524,000) and total current liabilities of approximately RMB18,625,456,000 (31 December 2017: RMB19,731,019,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.5 as at 31 December 2018 (31 December 2017: 1.6).

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 2018, bank and other borrowings of approximately RMB7,280,882,000, RMB2,023,741,000, RMB647,237,000, RMB269,084,000 and RMB243,474,000 were denominated in RMB, US dollars, Hong Kong dollars, Euros and Australia dollars respectively (31 December 2017: RMB9,668,367,000, RMB1,409,557,000 RMB784,219,000, RMB190,298,000 and nil). Bank and other borrowings of approximately RMB9,179,425,000 (31 December 2017: RMB8,685,724,000) 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 and Hong Kong 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.

As at 31 December 2018, trade and bills receivables and trade and bills payables of the Group were approximately RMB6,000,069,000 and RMB6,519,944,000 (31 December 2017: RMB6,650,273,000 and RMB6,814,951,000), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

Pledge of Assets

Details of the Group's pledged assets as at 31 December 2018 are set out in note 52 to the consolidated financial statements attached to this annual report.

Operating Segment Information

Details of the operating segment information of the Group in the Year 2018 are set out in note 6 to the consolidated financial statements attached to this annual report.

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2018 are set out in note 51 to the consolidated financial statements attached to this annual report.

Contingent Liabilities

Details of contingent liabilities of the Group as at 31 December 2018 are set out in note 50 to the consolidated financial statements attached to this annual report.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

To expand the scale of operations and improve the quality of the assets of the Group, the Group conducted and completed the following material corporate acquisitions and disposals in the Year 2018:

1. 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)(collectively referred to as "**Limited Partners**"), both being limited partners of Ningbo Fengdong Investment Management Partnership Enterprise (Limited Partnership)*(寧波豐動投資管理合夥企業(有限合夥)(the "**Fund**") 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 (the "**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 RMB2,633,000,000 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 the 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. Its "Lvmama travel website"*(「驢媽媽旅遊網」)is a well-known online travel agency in the PRC. The Fund has completed the acquisition from the shareholders of Shanghai Joyu and capital injection in Shanghai Joyu and held approximately 26.33% interests in Shanghai Joyu as at 31 December 2018.

2. On 19 March 2018, Prosper Wealth International Limited ("**Prosper Wealth**"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yi Yue (Hong Kong) Limited*(益悦(香港)有限公司)("**Yi Yue (Hong Kong)**"), an indirect wholly-owned subsidiary of C & D International Investment Group Limited(建發國際投資集團有限公司), a company listed on the Stock Exchange (stock code: 1908), pursuant to which, amongst others, Yi Yue (Hong Kong) agreed to purchase and Prosper Wealth agreed to sell 100% interests of Fullshare Healthcare Limited, an indirect wholly-owned subsidiary of the Company, at the cash consideration of RMB1,092,764.23. Yi Yue (Hong Kong) shall also provide fund to Fullshare Healthcare Limited to repay the shareholder's loan in the amount of RMB168,957,149.55 previously advanced by the Company. Accordingly, the Company and Xiamen Yi Yue Property Company Limited*(廈門益悦置業有限公司)agreed to terminate the cooperation development agreement dated 8 December 2017 on 19 March 2018. Completion of the disposal has taken place on 25 March 2018.

3. On 30 October 2018, Nanjing Fullshare Dazu Technology Co., Ltd.*（南京豐盛大族科技股份有限公司）(“**Fullshare Dazu**”), an indirect wholly-owned subsidiary of the Company, entered into a joint development agreement with Changzhou Hengchen Enterprise Management Co., Ltd.*（常州恒宸企業管理有限公司）(“**Changzhou Hengchen**”) and Shengyu (BVI) Limited（盛譽(BVI)有限公司*) (“**Shengyu**”), pursuant to which, Fullshare Dazu shall invest RMB1.00 billion in Changzhou Jiangheng Real Estate Development Co., Ltd.*（常州江恒房地產開發有限公司）(“**Changzhou Project Company**”), of which RMB827.88 million was injected as registered capital and RMB172.12 million was included as capital reserves. Upon completion of the capital increase, the registered capital of Changzhou Project Company increased to RMB1,881.54 million, and Fullshare Dazu held 44% equity interests in Changzhou Project Company, in proportion to its contributions to the registered capital. Changzhou Project Company has obtained the construction land use right of the project land located in Changzhou, Jisangsu Province, the PRC (the “**Changzhou Project Land**”). In order to maximize value for all the parties, the Group entered into the joint development agreement to develop, manage and operate the Changzhou Project Land with Changzhou Hengchen and Shengyu.

In the Year 2018, save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries or associates.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2018.

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, 31 May 2019, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2019.

EMPLOYEES

As at 31 December 2018, the Group had 6,652 employees (31 December 2017: 7,594 employees). The Group’s total staff costs (including executive directors’ remuneration) amounted to approximately RMB1,740,366,000 in the Year 2018 (Year 2017: approximately RMB1,771,370,000). 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 share award scheme to promote the implementation of enterprise culture of co-creation and co-sharing and procure the core employees of the Company to focus on long-term operation performance, as well as to attract, retain and impel core talents, details of which are set out in the sections headed “Share Option Scheme” and “Share Award Scheme” in the Report of the Directors.

SUBSEQUENT EVENTS

As at 31 December 2018, details of the subsequent events of the Group are set out in note 56 to the consolidated financial statements attached to this annual report.

* *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 (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 and Corporate Governance Report (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 2018 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 2018, 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 2018.

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)*
Mr. Wang Bo
Ms. Du Wei (appointed on 7 July 2018)
Mr. Shi Zhiqiang (resigned on 7 July 2018)

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 2018, seven Board meetings were held and the chairman of the Board held a meeting with the INEDs without the presence of the 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 2018 are set out below:

	Attendance/number of meetings held during the Year 2018							
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	3/3	3/3	n/a	n/a	2/2	1/1
Mr. Wang Bo	7/7	n/a	n/a	n/a	4/4	1/1	2/2	n/a
Ms. Du Wei (appointed on 7 July 2018)	5/5	n/a	n/a	n/a	2/2	1/1	1/1	n/a
Mr. Shi Zhiqiang (resigned on 7 July 2018)	2/2	n/a	n/a	n/a	2/2	n/a	1/1	n/a
INEDs								
Mr. Chow Siu Lui	7/7	3/3	n/a	n/a	n/a	n/a	2/2	1/1
Mr. Lau Chi Keung	7/7	3/3	3/3	3/3	n/a	n/a	2/2	1/1
Mr. Tsang Sai Chung	7/7	3/3	3/3	3/3	4/4	1/1	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 the 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 2018 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	✓	✓
Mr. Wang Bo	✓	✓
Ms. Du Wei (appointed on 7 July 2018)	✓	✓
Mr. Shi Zhiqiang (resigned on 7 July 2018)	✓	✓
INEDs		
Mr. Chow Siu Lui	✓	✓
Mr. Lau Chi Keung	✓	✓
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 2018, 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. The current members of the Remuneration Committee are:

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

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 2018, the Remuneration Committee held three meetings 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 2018. The works performed by the Remuneration Committee during the Year 2018 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 2018;

(iii) reviewed the existing remuneration of all INEDs and recommended for the Board's approval the increment in the remuneration for the Year 2018;

(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; and

(vi) reviewed and recommended for the Board's approval the grant of share options and award shares.

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 2018, the Nomination Committee held three 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 2018. The works performed by the Nomination Committee during the Year 2018 were summarized as below:

(i) reviewed the structure, size and composition 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 appointment of senior management of the Company;

(v) reviewed and recommended for the Board's approval the establishment of the ESG Committee; and

(vi) reviewed and recommended for the Board's approval the update of (a) the terms of reference of the Nomination Committee containing the Nomination Policy; and (b) the Board Diversity Policy.

Corporate Governance Report

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 recognizes 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 2018, the Audit Committee held three 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 2018. The works performed by the Audit Committee during the Year 2018 were summarized as below:

(i) reviewed and recommended for the Board's approval the annual results for the year ended 31 December 2017 and the interim results for the six months ended 30 June 2018;

(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 2018 and up to the date of this report, the members of the Risk Management Committee are:

Ms. Du Wei *(Chairman)* (appointed on 7 July 2018)
Mr. Shi Zhiqiang *(Chairman)* (resigned on 7 July 2018)
Mr. Wang Bo
Mr. Tsang Sai Chung

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 2018, 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 2018 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. The current members of the ESG Committee are:

Mr. Wang Bo *(Chairman)*
Ms. Du Wei
Mr. Tsang Sai Chung

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 2018.

Corporate Governance Report

AUDITORS' REMUNERATION

The fees paid to the external auditors of the Group, for audit and non-audit services for the year ended 31 December 2018 amounted to approximately RMB7,500,000 (2017: RMB7,970,000) and approximately RMB3,244,000 (2017: RMB300,000) respectively. The statutory audit fee for the year ended 31 December 2018 was paid to PricewaterhouseCoopers, the existing external auditor of the Group, while the non-audit service fee of the Group for year ended 31 December 2018 was paid to the former external auditor of the Group. Details of the fees payable to the external auditor for non-audit services for the year are listed below:

1)	Review of financial statements	RMB2,600,000
2)	Consultancy fee for tax advisory	RMB244,000
3)	Other professional services	RMB400,000

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 PricewaterhouseCoopers as the external auditor of the Group for the year 2019, subject to approval by the Shareholders at the forthcoming AGM of the Company to be held on 31 May 2019.

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 2018. 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 2018, August 2018 and March 2019 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 monthly 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.

Inside Information

The Company has followed the procedures for handling and disclosure of inside information during the Year 2018. 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 2018. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2018 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 61 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;

(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, the 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 2018, 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, 29 March 2019

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 2018.

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 53 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on pages 67 to 68.

The Board has resolved not to declare a dividend for the year ended 31 December 2018.

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, 31 May 2019, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company (the "**Shareholder(s)**") as at 31 December 2017 and 2018 were as follows:

	2018 **RMB'000**	2017 RMB'000
Share premium	**17,195,205**	17,491,141
Contributed surplus	**82,603**	82,603
Accumulated losses	**(453,160)**	(876,839)
Total	**16,824,648**	16,696,905

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.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 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 2018 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 2018. Details of movement in the share capital of the Company during the year ended 31 December 2018 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 2018 or subsisted at the end of the year, save for the share option scheme of the Company (the "**Share Option Scheme**") 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

During the year ended 31 December 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company, except the trustee of the share award scheme of the Company (the "**Share Award Scheme**"), pursuant to the terms of the trust deed of the Share Award Scheme, purchased on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") a total of 17,521,400 Shares at a total consideration of approximately RMB35,258,000.

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. 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 1,896,120,373 Shares, representing approximately 9.61% 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 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 0.1% 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 5 years commencing from 17 August 2018.

The following table sets out the movements in the share options during the Year 2018:

				No. of share options						
Share option holders	Date of grant	At the date of adoption[1]	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 2018/12/31	Vesting period	Exercise price HK$	Exercise period
Director										
Ms. Du Wei	2018/12/14	–	3,348,200[2]	–	–	–	3,348,200	2018/12/14 – 2023/12/13 [4]	2.56	2019/12/13 – 2028/12/13
Other employees	2018/12/14	–	73,884,000[2]	–	–	(446,400)[3]	73,437,600	2018/12/14 – 2023/12/13 [4]	2.56	2019/12/13 – 2028/12/13
Total		**–**	**77,232,200**	**–**	**–**	**(446,400)**	**76,785,800**			

Notes:

(1) The adoption date of the Share Option Scheme was 17 August 2018.

(2) The closing price of the Shares on the last trading day immediately before the date on which the share options were granted was HK$2.52 per Share.

(3) A total of 446,400 share options lapsed according to the terms of the Share Option Scheme during the period.

(4) Assuming all the conditions for exercise of the share options granted on 14 December 2018 are fulfilled in accordance with the Share Option Scheme, relevant share options will be vested in five tranches with a period of 5 years, with each tranche covering one-fifth of the relevant share options, i.e. exercisable to the extent of one-fifth of the relevant total number of share options and with the 1^{st}, 2^{nd}, 3^{rd}, 4^{th} and 5^{th} tranches being exercisable from 13 December in the years 2019, 2020, 2021, 2022 and 2023 respectively.

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 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 in 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 24^{th} and 36^{th} 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 2018, a total of 17,521,400 award shares have been granted under the Share Award Scheme, representing 0.09% of the total issued share capital of the Company as at the date of adoption.

A summary of the award shares granted to eligible participants (including an executive Director, a former executive Director during the Year 2018 and connected award share grantees) are as follows:

Name of grantees	Date of grant	No. of awarded shares					Vesting period	Grant price HK$	Exercise period
		At the date of adoption[1]	Granted during the period	Vested during the period	Lapsed during the period	Outstanding as at 2018/12/31			
Director:									
Ms. Du Wei	2018/12/14	–	663,700	–	–	663,700	2018/12/14 – 2019/12/13	1.28	2019/12/13 – 2020/1/2
Former Director:									
Mr. Shi Zhiqiang[3]	2018/12/14	–	796,500	–	–	796,500	2018/12/14 – 2019/12/13	1.28	2019/12/13 – 2020/1/2
Other connected award share grantees	2018/12/14	–	2,123,800	–	–	2,123,800	2018/12/14 – 2019/12/13	1.28	2019/12/13 – 2020/1/2
Remaining grantees	2018/12/14	–	13,937,400	–	(221,200)[4]	13,716,200	2018/12/14 – 2019/12/13	1.28	2019/12/13 – 2020/1/2
Total		**–**	**17,521,400[2]**	**–**	**(221,200)**	**17,300,200**			

Notes:

(1) The adoption date of the Share Award Scheme was 7 July 2018.

(2) All the awarded shares were purchased from the market by the independent trustee. During the period, a total of 17,521,400 Shares were purchased for satisfying the award shares granted under the Share Award Scheme.

(3) Mr. Shi Zhiqiang is a former Director in the Year 2018, who is a connected award share grantee.

(4) A total of 221,200 award shares lapsed according to the terms of the Share Award Scheme during the period.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2018, the Group's largest customer and five largest customers accounted for approximately 29% and 54% of the total sales for the year respectively.

During the Year 2018, the aggregate purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

During the Year 2018, 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.

Report of the Directors

DIRECTORS

The Directors during the Year 2018 and up to the date of this report were:

Executive Directors:
Mr. Ji Changqun *(Chairman and CEO)*
Mr. Wang Bo
Ms. Du Wei (appointed on 7 July 2018)
Mr. Shi Zhiqiang (resigned on 7 July 2018)

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. Ji Changqun and Mr. Wang Bo 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 2018, 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
Mr. Ji Changqun (“**Mr. Ji**”)	Beneficial owner and interest in controlled corporation[1]	9,798,370,454	49.66%
Mr. Wang Bo	Beneficial owner	6,910,000	0.04%
Ms. Du Wei	Beneficial owner	4,011,900[2]	0.02%

Notes:

1. Mr. Ji and Magnolia Wealth International Limited (“**Magnolia Wealth**”), a company incorporated in the British Virgin Islands (the “**BVI**”) which is wholly-owned by Mr. Ji, have made a gift of 33,400,000 Shares and 300,000,000 Shares to the son of Mr. Ji (above age 18) on 21 November 2018 and 17 December 2018 respectively. As at 31 December 2018, 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 8,888,860,454 Shares held by Magnolia Wealth. Accordingly, Mr. Ji is interested in 9,798,370,454 Shares in total.

2. These interests represented 3,348,200 share options and 663,700 award shares made respectively to Ms. Du Wei which were subject to certain vesting conditions pursuant to each of the Share Option Scheme and Share Award Scheme, details of which are set out in the sections headed “Share Option Scheme” and “Share Award Scheme” of this report respectively.

(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 2018:

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 2018:

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 45.05% 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 2018.

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 22.86% by the Company and was an associated corporation of the Company as at 31 December 2018:

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)]	22.86%[(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 the Company, which in turn is owned as to approximately 45.05% 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 1,093,796,000 shares of Hin Sang Group in issue as at 31 December 2018.

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 2018.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year 2018 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 2018, 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 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 54 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 2018 or at any time during the Year 2018.

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 2018.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in note 54 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 2018. 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

1. On 13 June 2018, 南京德盈置業有限公司 (Nanjing Deying Property Limited*) ("**Nanjing Deying**"), an indirect wholly-owned subsidiary of the Company, entered into a pledge agreement (the "**Deying First Pledge Agreement**") with 交通銀行股份有限公司江蘇省分行 (Jiangsu Branch of Bank of Communications Co., Ltd.*) ("**BOCOM Bank**"), pursuant to which, Nanjing Deying agreed to pledge a commercial property held by it (the "**Pledged Property**") as security for a loan in an amount of up to RMB710 million granted by BOCOM Bank to 南京建工集團有限公司 (Nanjing Jiangong Group Co., Ltd.*) ("**Nanjing Jiangong**") under a working capital loan agreement (the "**Jiangong Loan Agreement**"). The highest amount of obligations secured by the Pledged Property is RMB710 million together with interest thereon at a floating interest rate for a term of 39 months.

   Each of Mr. Ji and Nanjing Jiangong executed a guarantee letter (collectively the "**First Guarantee Letters**") in favour of the Group. Pursuant to the First Guarantee Letters, among others, (i) Mr. Ji undertook that before the loan under the Jiangong Loan Agreement is fully repaid or the pledge under the Deying First Pledge Agreement 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 million. If the balance of loans is lower than HK$900 million, the Company could refuse to repay the debt until the loan under the Jiangong Loan Agreement is fully repaid or the pledge under the Deying First Pledge Agreement is released; and (ii) Nanjing Jiangong undertook that it would provide a loan to the Company with substantially the same commercial terms as the Jiangong Loan Agreement or pledge assets with equivalent value to the Company or a financial institution designated by the Company. Nanjing Jiangong further undertook that it would provide Nanjing Deying with a fee equivalent to 3% of the principal amount of the loan under the Jiangong Loan Agreement in consideration of Nanjing Deying agreeing to provide the pledge under the Deying First Pledge Agreement. In view of the undertakings provided in the First Guarantee Letters, the Group agreed to grant security in respect of the obligations of Nanjing Jiangong under the Jiangong Loan Agreement.

   As at the date of the Deying First Pledge Agreement, 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 南京建工產業集團有限公司(Nanjing Jiangong Industrial Group Co., Ltd.*), formerly known as 南京豐盛產業控股集團有限公司 (Nanjing Fullshare Industrial Holding Group Co., Ltd.*) ("**Nanjing Jiangong Industrial**"). Nanjing Jiangong is a subsidiary of Nanjing Jiangong Industrial. As at the date of the Deying First Pledge Agreement, Mr. Ji Changbin (the elderly brother of Mr. Ji) beneficially owned more than 30% equity interest of Nanjing Jiangong. Therefore, Nanjing Jiangong 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 Deying First Pledge Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details of the above transaction were set out in the announcement of the Company dated 13 June 2018.

2. On 20 September 2018, Nanjing Deying entered into a pledge agreement (the "**Deying Second Pledge Agreement**") with BOCOM Bank, pursuant to which, Nanjing Deying agreed to pledge the Pledged Property as security for a loan in the amount of up to RMB440 million granted by BOCOM Bank to Nanjing Jiangong Industrial under a working capital loan agreement (the "**Nanjing Jiangong Industrial Loan Agreement**"). The highest amount of obligations secured by the Pledged Property is RMB440 million together with interest thereon at a floating interest rate for a term of 6 months.

   Each of Mr. Ji and Nanjing Jiangong Industrial executed a guarantee letter (collectively the "**Second Guarantee Letters**") in favour of the Group. Pursuant to the Second Guarantee Letters, among others, (i) Mr. Ji undertook that before the loan under the Nanjing Jiangong Industrial Loan Agreement is fully repaid or the pledge under the Deying Second Pledge Agreement is released, the balance of loans granted by him (and/or any companies controlled by him) to the Company shall be at least HK$550 million in addition to the minimum balance of loans as undertaken by him pursuant to the First Guarantee Letters (the "**Previous Balance**"). If the balance of loans is lower than HK$550 million in addition to the Previous Balance, the Company could refuse to repay the debt until the loan under the Nanjing Jiangong Industrial Loan Agreement is fully repaid or the pledge under the Deying Second Pledge Agreement is released; and (ii) Nanjing Jiangong Industrial undertook that it would provide a loan to the Company with substantially the same commercial terms as the Nanjing Jiangong Industrial Loan Agreement or pledge assets with equivalent value to the Company or a financial institution designated by the Company. Nanjing Jiangong Industrial further undertook that it would provide Nanjing Deying with a fee equivalent to 3% of the principal amount of the loan under the Nanjing Jiangong Industrial Loan Agreement in consideration of Nanjing Deying agreeing to provide the pledge under the Deying Second Pledge Agreement. The undertaking of Mr. Ji would lapse once Nanjing Jiangong Industrial provides the loan or pledge assets to the Company or a financial institution designated by the Company in accordance with the Second Guarantee Letters. In view of the undertakings provided in the Second Guarantee Letters stated as above, the Group agreed to grant security in respect of the obligations of Nanjing Jiangong Industrial under the Nanjing Jiangong Industrial Loan Agreement.

   As at the date of Deying Second Pledge Agreement, Mr. Ji 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 Deying Second Pledge Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details of the above transaction were set out in the announcement of the Company dated 20 September 2018.

3. 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 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, entered into certain security documents (the “**Security Documents**”, the Dazu Loan Agreement and 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 Fullshare Dazu’s 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**”).

   Taking 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 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 Disposal of the 35% Pledged Interests is subject to certain conditions precedent including the provision of reasonable security by the Purchaser to China Orient Asset and procuring the termination of the equity pledge agreement with China Orient Asset in respect of the existing pledge provided by Fullshare Dazu over the 35% Pledged Interests under the equity pledge agreement with China Orient Asset and the release of the same. Completion of the Disposal of the 30% Pledged Interests is also subject to certain conditions precedent including the repayment by Haixin of the outstanding amount of the shareholder's loan or the original vendor agreeing to release the pledge over the 30% Pledged Interests before such shareholder's loan is repaid.

Upon completion of the Disposal, the Group will no longer hold any interest in any of the Ma'anshan Project Companies or any of the assets (including the Pledged Assets (as defined in the announcement of the Company dated 26 September 2018)) held by Ma'anshan Project Companies, and the Group will be released from liabilities under the Security Documents in respect of the Assignment Agreement. 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 upon completion of the Disposal.

Details of the above transaction were set out in the announcements of the Company dated 26 September 2018, 31 December 2018 and 29 March 2019 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. And 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 three financial years ending 31 December 2020 are set out as follows:

	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 2018 are listed below:

	For the year ended 31 December 2018
	RMB'000
Fullshare Singapore Service Agreement	5,822
NCGA Service Agreement	1,308

   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.

   Also, Nanjing Jiangong held the entire equity interest in NCGA. Therefore, NCGA 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 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 three financial years ending 31 December 2020 are set out as follows:

	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 2018 are listed below:

	For the year ended 31 December 2018 RMB'000
Technical design and consultant services	16,981
Green management and services	–
Total	16,981

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 2018 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 2018, 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(5)	Approximate percentage of the total issued share capital of the Company
Magnolia Wealth	Beneficial owner (1)	8,888,860,454 (L)	45.05%
Superb Colour Limited ("**Superb Colour**")	Beneficial owner (2)	1,593,072,251 (L) 538,357,500 (S)	8.07% 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 (L) 538,357,500 (S)	9.59% 2.73%
China Citic Bank Corporation Limited	Person having a security interest in shares (3)	4,902,000,000 (L)	24.85%
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)	1,320,000,000 (L)	6.69%

Notes:

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

2. References were made to the disclosure of interest 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 88.1% and 11.9% 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 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 1,320,000,000 Shares as holder of security interest.

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

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 2018.

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 recognized 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 2018, 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 2018, 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 2018. 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 2018.

Save as disclosed above, as at 31 December 2018, 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 25 of this annual report.

Financial key performance indicators

During the Year 2018, the Group has recognised a decrease in revenue (being one of the financial key performance indicators) of approximately RMB737,806,000 or 7% to approximately RMB10,288,651,000 (2017: RMB11,026,457,000). As the major contribution of revenue, the new energy segment has contributed approximately RMB8,509,022,000 or 83% to the Group's revenue in Year 2018 (2017: RMB8,241,914,000). In addition, properties segment has contributed approximately RMB773,549,000 or 8% to the total revenue of the Group in Year 2018 (2017: RMB2,007,216,000). The revenue generated from tourism was approximately RMB628,930,000 or 6% of the Group's revenue in Year 2018 (2017: RMB167,453,000). The revenue generated from healthcare, education and others was approximately RMB366,224,000 or 4% of the Group's revenue in Year 2018 (2017: RMB560,825,000). As mentioned in the Chairman's statement of this annual report, the Company is of the view that the tourism segment has the highest potential for development, and more resources will be allocated to support the development of this segment in the future.

The net loss of the Group in the Year 2018 was approximately RMB3,062,457,000 while the net profit was approximately RMB2,136,464,000 in Year 2017. The net loss in the Year 2018 was mainly due to the fair value change in the financial instruments of which approximately RMB3,036,751,000 represented the unrealised holding loss after tax arising on revaluation of listed equity investments (2017: unrealised holding gain of RMB1,735,388,000) which was non-cash in nature.

The Group's financial position remained solid. The net assets of the Group decreased by RMB3,303,162,000 or 12% from approximately RMB27,203,699,000 in Year 2017 to approximately RMB23,900,537,000 in Year 2018. The Group generated a operating cash inflow of approximately RMB209,278,000 in Year 2018 (2017: operating cash inflow of approximately RMB1,981,799,000).

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group conducts risk assessment and management measures from time to time to ensure its continuous future development. The Group is highly concerned on those factors that might affect its operation situation and will take appropriate actions to mitigate the potential impact. The Group 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 are set out as follows:

Macro-economic environment

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

Management's response: It is noted that, the Chinese government will continue to innovate and perfect macroeconomic control, maintain its economic development within reasonable range, and balance maintaining stable growth and guarding against risks to sustain healthy economic development. The Group will also continue to pay attention to market conditions in accordance with its specific risk management policy and prudent investment strategy. The Group would also evaluate the risk associated with and 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 influence

As our businesses are mainly concentrated in China, our results performance is affected by the policies in China. In recent years, for the real estate industry, the Chinese government implemented home-purchase restrictions, adjusted the housing mortgage rate and tightened real estate credit policy; and for the financial industry, the Chinese government rolled out policies including the New Regulations on Assets Management (the Guideline on Regulating Assets Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange and the Notice on Further Clarifying the Matters Related to the Guiding Opinions for Regulating Assets Management Business of Financial Institutions (《關於進一步明確規範金融機構資產管理業務指導意見有關事項的通知》) issued by the People's Bank of China in July 2018, collectively referred to as the "**New Regulations on Assets Management**"). All these policies mainly regulate 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 real estate business of the Company is currently focusing on commercial property and tourism property development. The adjustment in policies are aimed at residential property and have less impact on the Group. The Group will continue to monitor the government policy direction in the real estate and financial market, enhance assets management and flexibly adjust development strategies and financing means. The Group will also actively develop tourism property and integrate the lifestyle and concept of leisure, vacation and health into real estate development by optimizing its product mix to enhance the comfort level of products and promote product sales. Meanwhile, the Group will explore new financing means, make innovative financing activities and standardize its operation to cope with policies emerging from time to time.

Market competition

Both the healthcare tourism market and the real estate market in China are highly competitive. The areas that are in competition include, without limitation, traffic, service, quality, design, brand, cost control and environment ancillary facilities. If the competitors of the Group keep on improving their products, it will 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 healthier, easier and handier lifestyle for customers and partners. The Group expects that at the current industry consolidation stage, through precise positioning, effective risk control, improving product and service quality, the Group can better enhance the market demand for the products and services of the Group.

Investment concentration risk

The investment segment of the Group mainly involved holding the shares in a company listed in Hong Kong. The shares of such company were valued at approximately RMB3,542,707,000 as at 31 December 2018, representing nearly 14.8% of the Group's net assets. As such, the price change of such shares may generate an impact on the investment segment and the Group's overall profit performance.

Management's response: The Group will closely monitor the operation situation and the change in price of the company in which it holds the shares, and will adjust promptly the proportion of investment portfolio. At the same time, the Group will also actively consider the 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. The Group will consider investing in financial assets in currencies other than RMB in the future. Hence, the respective assets value may be affected due to changes in exchange rates. If there is a significant depreciation in exchange rate in currencies other than RMB, the value of financial assets held by the Group will decrease and reduce the profitability in the investment segment.

Management's response: The Government Work Report of the PRC stated that it will perfect the exchange rate formation mechanism this year, maintain the overall stability of RMB at a reasonable and well-balanced level. The Group will keep track of the PRC's government monetary policies and global economic changes, evaluate the impact of exchange rate to the Group and closely monitor the financial instruments on the market that could hedge exchange rate exposure and lower the impact of exchange rate fluctuation on the Group.

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 recognize 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. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2018 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 2018 are set out in notes 13 and 14 to the consolidated financial statements respectively.

DONATION

During the Year 2018, 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 2018, the Group made charitable donations of approximately RMB51,249,000.

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

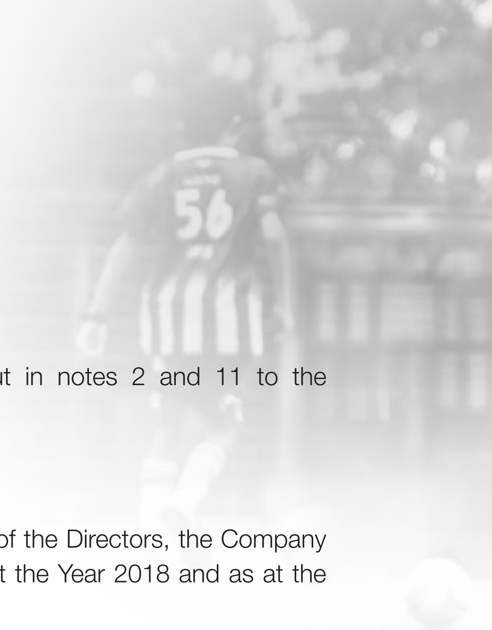
As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The 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.



Report of the Directors

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 2018 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 2018 and as at the date of this report.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 56 to the consolidated financial statements attached to this annual report.

AUDITOR

On 31 May 2016, SHINEWING (HK) CPA Limited resigned as auditor of the Group and Ernst & Young ("**E&Y**") was appointed as auditor of the Group at the extraordinary general meeting of the Company held on 27 June 2016.

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

The consolidated financial statements for the year ended 31 December 2018 have been audited by PwC, who shall retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of PwC as auditor of the Group will be proposed at the forthcoming AGM.

On behalf of the Board

Ji Changqun
Chairman

Hong Kong, 29 March 2019

* *For identification purpose only*

Independent Auditor's Report

pwc

羅兵咸永道

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

OPINION

What 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 balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2018, 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 disclosure requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

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Independent Auditor's Report

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment on goodwill
- Fair value measurement of financial instruments with significant inputs not based on observable market data (level 3)
- Recoverability of trade receivables

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 2018, the Group's goodwill amounted to approximately RMB2,043 million. 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 2018. 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.

How our audit addressed the Key Audit Matter

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 involved our valuation specialists to assess the valuation approaches and methodologies adopted in the evaluation of goodwill impairment by reference to industry practice;

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 2018, the balance 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 RMB7,321 million. These unlisted financial instruments were valued with inputs not based on active market prices nor observable market data and were categorized 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 involved our valuation specialists to assess the appropriateness of the valuation methodologies applied by the Group based on market practice and our industry knowledge; 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.

Independent Auditor's Report

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 and bills receivables) to the consolidated financial statements.

As at 31 December 2018, the Group had approximately RMB5,186 million trade receivables and an impairment provision of approximately RMB552 million.

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.

How our audit addressed the Key Audit Matter

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 of the collectability (both amount and timing) of receivables balances. We corroborated against available evidences, including interviewing sales personnel, examining the correspondences with the relevant customers and inquiring the Group's internal legal counsel as to whether there are any of disputes 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.

Independent Auditor's Report

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. We report our opinion 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 judgment and maintain professional scepticism 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, 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 Esmond S. C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
REVENUE	6,7	**10,288,651**	11,026,457
Cost of sales and services	11	**(8,320,984)**	(8,066,730)
GROSS PROFIT		**1,967,667**	2,959,727
Selling and distribution expenses	11	**(418,525)**	(544,894)
Administrative expenses	11	**(1,047,603)**	(1,282,631)
Research and development costs	11	**(347,707)**	(327,135)
Credit impairment losses on financial assets	3(iv)	**(161,281)**	–
Other income	9	**809,718**	510,589
Fair value changes in financial instruments	8	**(3,555,856)**	1,907,073
Other gains – net	10	**168,264**	402,341
OPERATING (LOSS)/PROFIT		**(2,585,323)**	3,625,070
Finance costs	12	**(948,747)**	(731,051)
Share of result of joint ventures	23	**(22,327)**	152,950
Share of result of associates	24	**14,369**	65,922
(LOSS)/PROFIT BEFORE TAX		**(3,542,028)**	3,112,891
Income tax credit/(expense)	15	**479,571**	(976,427)
(LOSS)/PROFIT FOR THE YEAR		**(3,062,457)**	2,136,464
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss:			
– Exchange differences on translation of foreign operations		**307,998**	(306,177)
– Changes in the fair value of debt instruments at fair value through other comprehensive income		**15,317**	–
– Share of other comprehensive loss of associates		**(54,535)**	–
– Changes in the fair value of available-for-sale investments		**–**	(338,549)
– Income tax relating to these items		**(3,829)**	85,689
Items that may not be reclassified to profit or loss:			
– Changes in the fair value of equity instruments at fair value through other comprehensive income		**(212,261)**	–
– Income tax relating to these items		**11,250**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**63,940**	(559,037)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,998,517)**	1,577,427

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
(Loss)/profit for the year attributable to:			
– The shareholders of the Company		(3,029,954)	2,267,453
– Non-controlling interests		(32,503)	(130,989)
		(3,062,457)	2,136,464
Total comprehensive (loss)/income for the year attributable to:			
– The shareholders of the Company		(2,949,363)	1,778,375
– Non-controlling interests		(49,154)	(200,948)
		(2,998,517)	1,577,427
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Basic (loss)/earnings per share	17	RMB(0.15)	RMB0.11
Diluted (loss)/earnings per share	17	RMB(0.15)	RMB0.11

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2018

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**5,311,773**	5,664,321
Investment properties	19	**4,103,960**	3,980,790
Prepaid land lease payments	20	**1,148,500**	1,161,142
Goodwill	21	**2,043,033**	2,047,674
Other intangible assets	22	**586,623**	677,707
Investments in joint ventures	23	**1,060,904**	1,967,578
Investments in associates	24	**1,741,240**	672,087
Financial assets at fair value through other comprehensive income	27	**3,536,398**	–
Financial assets at fair value through profit or loss	26	**980,867**	689,712
Available-for-sale investments	27	**–**	4,894,177
Loans receivables	28	**62,725**	399,000
Other financial assets at amortized cost	28	**967,255**	–
Other receivables	28	**127,381**	200,450
Prepayments	32	**35,659**	143,537
Deferred tax assets	42	**383,594**	294,954
		22,089,912	22,793,129
Current assets			
Inventories	30	**2,315,713**	2,419,827
Prepaid land lease payments	20	**24,438**	26,830
Trade receivables	31	**4,634,278**	4,755,094
Bills receivables	31	**–**	1,895,179
Consideration receivables	28	**342,480**	149,216
Loans receivables	28	**2,484,263**	2,926,751
Prepayments	32	**614,779**	823,608
Other receivables	28	**988,205**	987,866
Other financial assets at amortized cost	28	**205,861**	583,174
Tax prepaid	32	**88,155**	10,213
Financial assets at fair value through other comprehensive income	27	**1,368,456**	–
Financial assets at fair value through profit or loss	26	**6,371,646**	7,242,057
Structured bank deposits	26	**–**	110,000
Properties under development	33	**932,837**	929,653
Properties held for sale	34	**718,528**	438,885
Restricted cash	35	**2,939,170**	3,110,492
Cash and cash equivalents	35	**2,536,801**	5,221,679
Assets of disposal group classified as held-for-sale	36	**1,401,181**	–
		27,966,791	31,630,524
Total assets		**50,056,703**	54,423,653

Consolidated Balance Sheet (Continued)

As at 31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	40	**2,420,085**	1,919,988
Bank and other borrowings	39	**3,444,312**	3,363,646
Deferred tax liabilities	42	**1,528,033**	2,119,643
Warranty provision	41	**72,528**	–
Deferred income		**65,752**	85,658
		7,530,710	7,488,935
Current liabilities			
Trade and bills payables	37	**6,519,944**	6,814,951
Other payables and accruals	38	**3,177,494**	2,203,367
Contract liabilities	7	**413,432**	–
Receipts in advance and deposits received	7	**–**	971,666
Bank and other borrowings	39	**7,020,106**	8,688,795
Taxation payables		**833,814**	829,316
Warranty provision	41	**90,373**	120,664
Derivative financial instruments	29	**–**	95,489
Deferred income		**28,494**	6,771
Liabilities of disposal group classified as held-for-sale	36	**541,799**	–
		18,625,456	19,731,019
Total liabilities		**26,156,166**	27,219,954
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	43	**161,084**	161,084
Reserves	45	**20,534,416**	23,830,352
		20,695,500	23,991,436
Non-controlling interests	46	**3,205,037**	3,212,263
Total equity		**23,900,537**	27,203,699
Total liabilities and equity		**50,056,703**	54,423,653

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 67 to 201 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

Ji Changqun
Director

Du Wei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Notes	Attributable to the shareholders of the Company												
	Notes	Share capital RMB'000 (note 43)	Equity reserve RMB'000 (note 45(i))	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 45(ii))	Merger reserve RMB'000 (note 45(iii))	Other reserve RMB'000 (note 45(iv))	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 2017		161,084	422,833	17,668,099	245,513	(6,765)	(457,908)	163,735	(390,381)	237,507	4,494,583	22,538,300	3,775,370	26,313,670
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	2,267,453	2,267,453	(130,989)	2,136,464
Other comprehensive loss														
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	–	–	(184,239)	–	–	–	(184,239)	(68,621)	(252,860)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(304,839)	–	(304,839)	(1,338)	(306,177)
Total comprehensive (loss)/income for the year		–	–	–	–	–	–	(184,239)	–	(304,839)	2,267,453	1,778,375	(200,948)	1,577,427
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	842	842
Disposal of subsidiaries		–	–	–	(32,374)	38,542	(7,322)	–	–	–	1,154	–	(258,838)	(258,838)
Final 2016 dividend declared	16	–	–	(295,936)	–	–	–	–	–	–	–	(295,936)	–	(295,936)
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(97,069)	(97,069)
Transfer from retained earnings		–	–	–	295,056	–	–	–	–	–	(295,056)	–	–	–
Acquisition of additional interests in subsidiaries		–	–	–	–	–	(32,298)	–	–	–	–	(32,298)	(10,020)	(42,318)
Capital contributions by non-controlling shareholders of subsidiaries		–	–	–	–	–	2,995	–	–	–	–	2,995	2,926	5,921
At 31 December 2017		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

	Notes	Attributable to the shareholders of the Company													
	Notes	Share capital RMB'000 (note 43)	Equity reserve RMB'000 (note 45(i))	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 45(ii))	Merger reserve RMB'000 (note 45(iii))	Employee share trust reserve RMB'000 (note 44)	Other reserve RMB'000 (note 45(iv))	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	2.2.1	–	–	–	–	–	–	–	8,628	–	–	(122,947)	(114,319)	(6,030)	(120,349)
Restated balance 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															
Changes in fair value of financial instruments at fair value through other comprehensive income		–	–	–	–	–	–	–	(174,413)	–	–	–	(174,413)	(15,110)	(189,523)
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	48	–	–	–	–	–	–	–	–	–	–	–	–	47,205	47,205
Disposal of subsidiaries	49	–	–	–	–	–	–	–	–	–	–	–	–	56,020	56,020
Final 2017 dividend declared	16	–	–	(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	54(i)(g)	–	–	–	–	–	–	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**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	47	437,654	2,492,257
Interest received		4,385	3,944
Income taxes paid		(232,761)	(514,402)
Net cash flows from operating activities		209,278	1,981,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		489,300	199,461
Placement of pledged bank deposits		(9,483,754)	(8,140,895)
Withdrawal of pledged bank deposits		9,428,734	7,765,779
Investments in structured bank deposits		(947,000)	(460,000)
Withdrawal of structured bank deposits		110,000	1,089,000
Purchases of available-for-sale investments		–	(4,881,737)
Proceeds from disposal of available-for-sale investments		–	773,292
Purchases of financial assets at fair value through other comprehensive income		(237,996)	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		80,182	–
Purchases of financial assets at fair value through profit or loss		(754,743)	(221,730)
Proceeds from disposal of financial assets at fair value through profit or loss		1,168,682	–
Purchases of items of property, plant and equipment		(557,142)	(606,861)
Proceeds from disposal of items of property, plant and equipment		62,815	63,263
Receipt of government grants for property, plant and equipment		–	16,852
Purchase of investment properties		(33,383)	–
Proceeds from disposal of investment properties		14,210	21,896
Additions to other intangible assets		–	(208)
Additions of prepaid land lease payments		(91,755)	(4,297)
Proceeds from land assumption		–	600,000
Refundable deposit received	38	1,000,000	–
Acquisition of subsidiaries	48	(143,315)	(454,736)
Acquisition of assets and liabilities through acquisition of a subsidiary		–	(149,031)
Disposal of subsidiaries	49	(1,849)	1,109,787
Receipt of consideration receivables		149,216	98,293
Investments in joint ventures		–	(902,555)
Proceeds from disposal of a joint venture		–	40,000
Capital withdrawal from a joint venture	23	103,576	877,500
Investments in associates	24	(1,330,805)	(202,000)
Proceeds from disposal of an associate		–	396,212
Capital withdrawal from associates		–	753,829
Other investment income received		132,938	46,216
Refund of deposits for potential acquisitions		–	29,605
Payment of deposit for potential acquisitions		(14,385)	(211,823)
Purchase of other financial assets at amortized cost		(1,155,861)	–
Withdrawal of other financial assets at amortized cost		500,000	–
Loans receivables granted		(5,196,376)	(6,386,649)
Receipt of loans receivables and other receivables		5,955,010	3,704,857
Net cash flows used in investing activities		(753,701)	(5,036,680)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling interests		**5,000**	5,921
Proceeds from issue of corporate bonds	40	**497,575**	1,911,388
Repayment of convertible bonds		**–**	(21,035)
New bank and other borrowings		**9,522,857**	12,760,925
Repayment of bank and other borrowings		**(10,913,046)**	(9,107,217)
Dividends paid		**(356,203)**	(387,105)
Acquisition of additional interests in subsidiaries		**–**	(42,318)
Repayment of finance lease payables		**–**	(7,007)
Interest paid		**(904,513)**	(624,570)
Net cash flows (used in)/from financing activities		**(2,148,330)**	4,488,982
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,692,753)**	1,434,101
Cash and cash equivalents at beginning of year		**5,221,679**	3,864,068
Net effect of foreign exchange rate changes		**33,132**	(76,490)
Included in assets of disposal group classified as held-for-sale	36	**(25,257)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,536,801**	5,221,679

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 addresses of its registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 10-12, Level 43, Champion Tower, Three Garden Road, Central, Hong Kong with effect from 17 December 2018. 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 53 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 – investment, development and sale of properties, and provision of construction related service;

- Tourism – tourist goods and 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; rendering the investment and financial related consulting services;

- Healthcare and education and others – healthcare and education products and services and other products; and

- New energy – manufacture and sale of gear products.

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

The consolidated financial statements were approved for issue by the board of directors on 29 March 2019.

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 the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and investment properties measured at fair value.

(iii) New and amended standards adopted by the Group

A number of new or revised standards, amendments and interpretations to existing standards are mandatory for the financial year beginning on 1 January 2018:

- HKFRS 9 – *Financial instruments* **("HKFRS 9")**
- HKFRS 15 – *Revenue from contracts with customers* **("HKFRS 15")**
- Amendments to HKFRS 2 – *Classification and Measurement of Share-based Payment Transactions*
- Amendments to HKFRS 4 – *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
- *Annual improvements 2014 – 2016 cycle*
- Amendments to HKAS 40 – *Transfers of investment Property, and*
- HK(IFRIC) 22 – *Foreign Currency Transactions and Advance Consideration.*

The effects of the adoption of HKFRS 9 and HKFRS 15 are disclosed in note 2.2. The other standards, amendments and interpretations described above are either currently not relevant to the Group or had no material impact on the Group's financial performance and position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(iv) New standards and interpretations not yet adopted

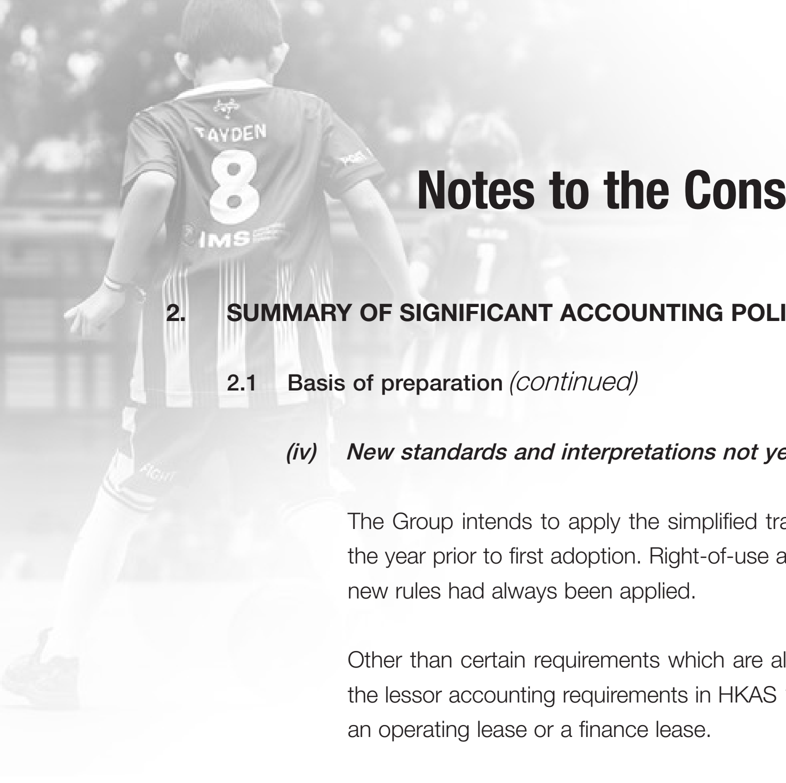
Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 January 2018 and have not been early adopted by the Group.

Standards, amendments and interpretations		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendment to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements to HKFRS	2015-2017 cycle (HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23)	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKRFS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards, amendments or interpretations, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective with the exception of HKFRS 16.

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The Group is the lessee of certain buildings which are currently classified as operating lease. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB327,288,000 as disclosed in note 51, approximately RMB48,477,000 relates to short-term leases and low value leases which will both be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognize right-of-use assets and lease liabilities of amount not greater than RMB245,000,000. The Group will apply the standard from its mandatory adoption date of 1 January 2019.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(iv) New standards and interpretations not yet adopted *(continued)*

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2.2 Changes in accounting polices

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements.

2.2.1 Impact on the financial statements

The Group has elected to apply the practical expedients and the modified retrospective approach permitted under HKFRS 9 and HKFRS 15 respectively. The effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Consequently, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings.

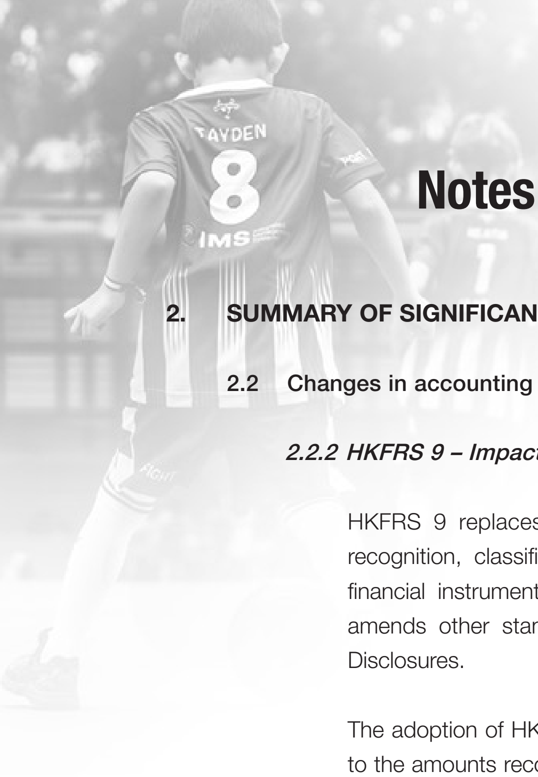
The following tables show the adjustments recognized for each financial statements line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.1 Impact on the financial statements (continued)

Consolidated balance sheet (extract)	Notes	31 December 2017 RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 restated RMB'000
Non-current assets					
Available-for-sale investments	2.2.2(i)	4,894,177	(4,894,177)	–	–
Financial assets at fair value through profit or loss (FVPL)	2.2.2(i)	689,712	1,458,555	–	2,148,267
Loans receivables	2.2.2	399,000	(491)	–	398,509
Financial assets at fair value through other comprehensive income (FVOCI)	2.2.2(i)	–	3,496,159	–	3,496,159
Other receivables	2.2.2	200,450	(311)	–	200,139
Deferred tax assets		294,954	58,920	–	353,874
Current assets					
Financial assets at fair value through profit or loss	2.2.2(i)	7,242,057	110,000	–	7,352,057
Financial assets at fair value through other comprehensive income	2.2.2(i)	–	1,863,434	–	1,863,434
Consideration receivables	2.2.2	149,216	(3,070)	–	146,146
Loans receivables	2.2.2	2,926,751	(106,421)	–	2,820,330
Other receivables	2.2.2	987,866	(2,839)	–	985,027
Trade receivables	2.2.2	4,755,094	(69,029)	–	4,686,065
Other financial assets at amortized cost	2.2.2	583,174	–	–	583,174
Bills receivables	2.2.2(i)	1,895,179	(1,895,179)	–	–
Structured bank deposits	2.2.2(i)	110,000	(110,000)	–	–
Total assets		54,423,653	(94,449)	–	54,329,204
Non-current liabilities					
Deferred tax liabilities		2,119,643	25,900	–	2,145,543
Current liabilities					
Receipts in advance and deposits received	2.2.3	971,666	–	(971,666)	–
Contract liabilities	2.2.3	–	–	971,666	971,666
Total liabilities		27,219,954	25,900	–	27,245,854
Equity					
Retained earnings	2.2.2	6,468,134	(122,947)	–	6,345,187
Investment revaluation reserve	2.2.2(i)	(20,504)	8,628	–	(11,876)
Non-controlling interests	2.2.2(i)	3,212,263	(6,030)	–	3,206,233
Total equity		27,203,699	(120,349)	–	27,083,350



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.2 HKFRS 9 – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("**HKAS 39**") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The new accounting policies are set out in note 2.22 below.

The total impact on the Group's opening retained earnings due to the adoption of HKFRS 9 as at 1 January 2018 is as follows:

	Notes	RMB'000
Opening retained earnings – HKAS 39		6,468,134
Reclassify and remeasure available-for-sale investments to FVPL	2.2.2(i)	9,056
Increase in provision for trade receivables	3(iv) (a)	(69,029)
Increase in provision for other receivables	3(iv) (b)	(3,150)
Increase in provision for loans receivables	3(iv) (b)	(106,912)
Increase in provision for consideration receivables	3(iv) (b)	(3,070)
Increase in deferred tax assets in relation to impairment provisions	3(iv) (b)	40,220
Increase in deferred tax liabilities in relation to remeasurement		(2,264)
Attributable to non-controlling interests		12,202
Adjustments to opening retained earnings from the adoption of HKFRS 9 on 1 January 2018		(122,947)
Opening retained earnings – HKFRS 9		6,345,187

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.2 HKFRS 9 – Impact of adoption (continued)

(i) Classification and measurement

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, FVOCI and FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale investments and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has reclassified and remeasured its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification and remeasurement are as follows:

	Notes	FVPL (2017: Financial assets held for trading and financial assets designated at FVPL) RMB'000	FVOCI (2017: Available-for-sale) RMB'000	Amortized cost (2017: Receivables) RMB'000
Closing balance at 31 December 2017 – HKAS 39		7,931,769	4,894,177	12,006,730
Reclassify and remeasure available-for-sale investments to FVPL	(a)	1,458,555	(1,449,499)	–
Reclassify and remeasure available-for-sale investments to FVOCI	(b)	–	51,481	–
Reclassify structured bank deposits to FVPL	(c)	110,000	–	(110,000)
Reclassify and remeasure bills receivables to FVOCI	(d)	–	1,863,434	(1,895,179)
Opening balance at 1 January 2018 – HKFRS 9*		9,500,324	5,359,593	10,001,551

* Before adjustment for impairment assessment according to HKFRS 9

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.2 HKFRS 9 – Impact of adoption (continued)

(i) Classification and measurement (continued)

The impact of these changes on the Group's equity is as follows:

	Notes	Effect on investment revaluation reserve RMB'000	Effect on retained earnings RMB'000	Effect on non-controlling interests RMB'000
Closing balance at 31 December 2017 – HKAS 39		(20,504)	6,468,134	3,212,263
Remeasure available-for-sale investments to FVPL	(a)	–	5,020	1,772
Remeasure available-for-sale investments to FVOCI	(b)	26,225	–	12,384
Remeasure bills receivables to FVOCI	(d)	(17,597)	–	(6,212)
Opening balance at 1 January 2018 – HKFRS 9		(11,876)	6,473,154	3,220,207

(a) Reclassification and remeasurement from available-for-sale investments to FVPL

Certain investments in equity securities were reclassified and remeasured from available-for-sale investments to financial assets at FVPL. They do not meet the HKFRS 9 criteria for classification at amortized cost, because their cash flows do not represent solely payments of principal and interest, and the Group did not make an irrevocable election at the time of initial recognition to account for these equity investments at FVOCI.

(b) Reclassification and remeasurement from available-for-sale investments to FVOCI

The Group elected to present in OCI changes in the fair value of certain equity investments previously classified as available-for-sale investments, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(c) Reclassification from structured bank deposits to FVPL

Financial instruments placed to various banks in the People's Republic of China ("**PRC**") for a term within one year were reclassified from structured bank deposits to FVPL. Considering the principal-protected nature and short maturity of such deposits, the fair value change is minimal on 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.2 HKFRS 9 – Impact of adoption (continued)

(i) Classification and measurement (continued)

(d) Reclassification and remeasurement from bills receivables to FVOCI

Bills receivables were reclassified and remeasured from receivables to FVOCI, because the Group manages the overall return on the bills receivables by both holding and selling the assets.

(ii) Summary of reclassification and remeasurement of financial assets on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications and remeasurements noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference*
			RMB'000	RMB'000	RMB'000
Non-current financial assets					
Equity securities investments	Available-for-sale	FVOCI	3,444,678	3,496,159	(51,481)
Equity securities investments	Available-for-sale	FVPL	1,449,499	1,458,555	(9,056)
Loans receivables	Amortized cost	Amortized cost	399,000	398,509	491
Other receivables	Amortized cost	Amortized cost	200,450	200,139	311
Current financial assets					
Trade receivables	Amortized cost	Amortized cost	4,755,094	4,686,065	69,029
Bills receivables	Amortized cost	FVOCI	1,895,179	1,863,434	31,745
Structured bank deposits	Amortized cost	FVPL	110,000	110,000	–
Consideration receivables	Amortized cost	Amortized cost	149,216	146,146	3,070
Loans receivables	Amortized cost	Amortized cost	2,926,751	2,820,330	106,421
Other receivables	Amortized cost	Amortized cost	987,866	985,027	2,839

* The differences noted in this column are the result of applying the new expected credit loss model and remeasurement of several financial assets. The Group was required to revise its impairment methodology under HKFRS 9 for relevant financial assets. The impact of change in impairment methodology on the Group's retained earnings and equity is disclosed in the tables above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting polices *(continued)*

2.2.3 HKFRS 15 – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("**HKAS 18**") and HKAS 11 Construction contracts ("**HKAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

The adoption of HKFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 2.35 below. In summary, the following adjustments were made to the amounts recognized in the consolidated balance sheet at the date of initial application (1 January 2018):

	31 December 2017	Reclassifications under HKFRS 15	1 January 2018 restated
	RMB'000	RMB'000	RMB'000
Receipts in advance and deposits received	971,666	(971,666)	–
Contract liabilities	–	971,666	971,666

HKFRS 15 requires that revenue from contract with customers be recognized upon transfer of control over goods and services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods and services is unchanged and the amounts of other categories of revenue is insignificant. Moreover, costs directly attributable to obtaining a contract such as stamp duty and sales commission are immaterial and expensed when they are incurred. Thus, other than certain reclassification of contract liabilities in respect of receipts in advance and deposits received, there was no material impact on the Group's consolidated balance sheet as of 1 January 2018.

2.3 Subsidiaries

Subsidiaries are all 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).

Intercompany 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 policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 of accounting (see note 2.6), after initially being recognized at cost.

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.

Interests in joint ventures are accounted for using the equity method (see note 2.6), after initially being recognized at cost in the consolidated balance sheet.

2.6 Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits 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 recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

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 recognizes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Business combinations *(continued)*

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 recognized 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 recognized 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 recognized 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.

2.10 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors 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 executive directors are determined following the Group's major business and service lines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 at year end exchange rates are generally recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains/(losses) – 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 held at FVPL are recognized 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 FVOCI are recognized in other comprehensive income.

(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 balance sheet are translated at the date of that balance sheet;
- income and expenses for each statement of 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 recognized 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Foreign currency translation *(continued)*

(iii) Group companies *(continued)*

On the 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), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

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 recognized 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 derecognized 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 basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives：

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

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.

Freehold land is stated at cost less any impairment losses and is not depreciated.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Property, plant and equipment *(continued)*

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is 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 capitalized 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.

2.13 Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held 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 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 comprehensive income in fair value gains or losses on 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 recognized 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 recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 amortized over the useful economic life 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 each end of 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 amortized. 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.

(i) Patents and technology

Purchased patents and technology are stated at cost less any impairment losses and are amortized on the straight-line basis 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 amortized on the straight-line basis 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 capitalized 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) Research and development costs (continued)

Development costs which do not meet these criteria above are expensed when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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

(iv) License

License is stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years.

2.15 Prepaid land lease payments

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

2.16 Goodwill

Goodwill is measured as described in note 2.8. Goodwill is not amortized 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 recognized. An impairment loss recognized 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization 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 recognized 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.

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

Assets that are part of a disposal group are not depreciated or amortized 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 recognized.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 realizable value. Development cost of properties comprises cost of leasehold land payments, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realizable value takes into account the price ultimately expected to be realized, 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 realizable 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 realizable 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.

2.21 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets

(i) Classification

From 1 January 2018, 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 amortized 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 measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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 recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized 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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets *(continued)*

(iii) ***Measurement*** *(continued)*

Debt instruments (continued)

- Amortized 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 amortized 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 recognized directly in profit or loss and presented in "other gains/(losses) – net", together with foreign exchange gains and losses. Impairment losses are presented as a separate line item.

- 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 recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/(losses) – 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 gains/(losses) – net" and impairment losses are presented as a separate line item.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized 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 recognized 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 carried at FVPL are recognized 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) Impairment of financial assets

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instrument carried at amortized 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 trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 3(iv) for further details.

(v) 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 derecognized (i.e., removed from the Group's consolidated balance sheet) 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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Investments and other financial assets *(continued)*

(vi) Accounting policies applied until 31 December 2017

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at FVPL.

(b) Subsequent measurement

- Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

- Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in “other income” in profit or loss. The loss arising from impairment is recognized in profit or loss in administrative expenses.

- Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognized as other comprehensive income in the investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in “other income”, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to profit or loss in “other gains/(losses) – net”. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as “other income”. When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated balance sheet where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 recognized initially at fair value plus transaction costs and subsequently measured at amortized 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 statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, 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.

2.26 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.

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 recognized initially at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a pre-payment for liquidity services and amortized 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 directly attributable to the acquisition, construction or production of qualifying assets are capitalized 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 capitalization.

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

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

(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's subsidiaries and associates 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Current and deferred income tax *(continued)*

(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 recognized 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 realized 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 recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations 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 realize the asset and settle the liability simultaneously.

2.30 Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China, Singapore and Australia are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain fixed percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF**") under the Mandatory Provident Fund Schemes Ordinance for all employees of the entities in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 is 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 recognized 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 (eg 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 recognized 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 recognizes 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 recognize the contributions by employees. The fair value of the employee services received in exchange for the grant of restricted shares is recognized 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.31 Share-based payments *(continued)*

(ii) Employee share award scheme (continued)

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 recognizes the impact of the revision of original estimates, if any, in the 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 recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized 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 recognized 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 recognized as interest expense.

Provisions for product warranties granted by the Group on certain products are recognized 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 recognized 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 recognized less, where appropriate, the cumulative amount of income recognized 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 recognized 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 recognized 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 recognizes profits or losses on that day.

2.35 Revenue recognition

The Group manufactures and sells goods, develops and sells properties, and renders other services to its customers. Revenues are recognized 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 recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

(i) Sales of goods

Revenue from sales of goods directly to customers is recognized 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 recognized 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) Rendering of services

The Group provides services to its customers at fixed or variable amount. If the consideration is variable, revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Group recognizes revenue from services over 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 recognized at a point in time. For revenue recognized over 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 recognized 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 revenues 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) 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.

(v) 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.

(vi) 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 recognized. If the payments exceed the services or goods rendered, a contract liability is recognized. 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 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 financial 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 recognized 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 Dividend income

Dividends are received from financial assets measured at FVPL and FVOCI (2017：from financial assets at FVPL, financial assets designated at FVPL and available-for-sale investments). Dividends are recognized 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 recognized 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)*

2.39 Government grants

Grants from the government are recognized 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 recognized 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 company within the Group with no future related costs are recognized 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 basis over the expected lives of the related assets.

2.40 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on loans receivables and other financial assets at amortized cost calculated using the effective interest method is recognized 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).

2.41 Related parties

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

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group’s parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.41 Related parties *(continued)*

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

- 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)
- 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)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group
- The entity is controlled or jointly controlled by a person identified in (i)
- A person identified in (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)
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

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.

2.42 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized.

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 to 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) and corporate bonds (note 40). 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 2018 would have increased by approximately RMB12,936,000 (2017: profit after tax decreased by approximately RMB10,915,000).

(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 29% (2017: 25%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 4% (2017:5%) 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
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)**

	Increase/ (decrease) in RMB rate%	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2017			
If the HK$ weakens against the RMB	5%	(12,030)	(194,768)
If the HK$ strengthens against the RMB	(5%)	12,030	194,768
If the US$ weakens against the RMB	5%	(6,203)	1,054
If the US$ strengthens against the RMB	(5%)	6,203	(1,054)
If the EUR weakens against the RMB	5%	(5,532)	2
If the EUR strengthens against the RMB	(5%)	5,532	(2)
If the AUD weakens against the RMB	5%	(404)	6,704
If the AUD strengthens against the RMB	(5%)	404	(6,704)

* Excluding retained earnings

(iii) Equity price risk

The Group's price risk is mainly exposed to equity price risk 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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(iii) Equity price risk *(continued)*

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% (2017: 10%) higher/lower, the loss after tax and other comprehensive loss after tax for the year ended 31 December 2018 would have decreased/increased by approximately RMB323,515,000 and RMB29,251,000, respectively (2017: increased/decreased by approximately RMB614,261,000 and RMB32,950,000) as a result of the changes in fair value of the equity instruments. The Group have diversified its investment portfolio in order to minimize the concentration of such equity price risk.

For the year ended 31 December 2018, RMB3,569,603,000 loss (2017: RMB1,991,988,000 gain) was recognized 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 carried at amortized 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 position, the availability of guarantee 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 2018, trade and bills receivables from five customers engaged in the new energy segment accounted for approximately 46% (2017: 37%) of the Group's trade and bills 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 minimize the concentration of credit risk. Other than the above, there is no other concentration of credit risk on the Group's trade and bills 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 RMB872,792,000 (2017: RMB1,418,901,000) as at 31 December 2018. 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.

From 1 January 2018, the following credit risk modelling applies:

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 model:

- Trade receivables
- Financial assets at amortized cost (excluding trade receivables)
- Bills receivables measured at FVOCI
- Financial guarantee contracts

While cash and cash equivalents 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 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 forwarding-looking information, which could 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 borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics and invoice date.

The Group adopted the Expected Credit Loss model ("**ECL model**"), pursuant to which the expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2018 or 1 January 2018 respectively 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 expected credit losses provision as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	Less than 1 year RMB'000	More than 1 years RMB'000	More than 2 years RMB'000	More than 3 years RMB'000	More than 4 years RMB'000	Total RMB'000
Expected credit loss rate	2%	16%	24%	77%	100%	9%
Gross carrying amount under ECL model (excluding those debtors of which 100% allowance provided)	4,232,505	391,590	183,972	59,803	227,319	5,095,189
Loss allowance under ECL model	(79,927)	(62,662)	(44,668)	(46,335)	(227,319)	(460,911)
100% specifically provided	(26,734)	(56,462)	(6,510)	(269)	(681)	(90,656)
Loss allowance	(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

3. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

(a) Trade receivables *(continued)*

1 January 2018	Less than 1 year RMB'000	More than 1 years RMB'000	More than 2 years RMB'000	More than 3 years RMB'000	More than 4 years RMB'000	Total RMB'000
Expected credit loss rate	2%	10%	31%	76%	100%	11%
Gross carrying amount under ECL model (excluding those debtors of which 100% allowance provided)	3,995,852	656,438	206,262	100,110	289,045	5,247,707
Loss allowance under ECL model	(66,360)	(67,454)	(62,936)	(75,847)	(289,045)	(561,642)
100% specifically provided	(75,505)	(7,030)	(269)	(529)	(152)	(83,485)
Loss allowance	(141,865)	(74,484)	(63,205)	(76,376)	(289,197)	(645,127)
Net carrying amount	3,929,492	588,984	143,326	24,263	–	4,686,065

The expected credit losses provision for trade receivables as at 31 December 2018 reconciles to the opening expected credit losses provision as follows:

	Trade receivables RMB'000
Opening credit losses provision as at 31 December 2017 – HKAS 39	(576,098)
Changes in accounting policies (note 2.2.2)	(69,029)
Opening credit losses provision as at 1 January 2018 – HKFRS 9	(645,127)
Provision for credit losses recognized in profit or loss	(45,409)
Receivables written off during the year as uncollectible	7,782
Transferred to disposal group classified as held-for-sale	131,187
Closing expected credit losses provision as at 31 December 2018	(551,567)

3. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

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

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

The Group uses three categories for financial assets at amortized 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 expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward looking macroeconomic data. A summary of the assumptions underpinning the Group's expected credit loss 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 months 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 amortized cost (excluding trade receivables) (continued)

As at 31 December 2018, the Group provided for expected credit losses provision against financial assets at amortized cost (excluding trade receivables) as follows:

	Expected loss rate	Gross carrying amount RMB'000	Expected credit losses provision RMB'000	Carrying amount (net of impairment provision) RMB'000
31 December 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 amortized cost	0.01%	1,173,188	(72)	1,173,116
		5,420,530	(242,360)	5,178,170

As at 1 January 2018, the Group provided for expected credit losses provision against other receivables as follows:

	Expected loss rate	Gross carrying amount RMB'000	Expected credit losses provision RMB'000	Carrying amount (net of impairment provision) RMB'000
1 January 2018				
Loans receivables	3.21%	3,325,751	(106,912)	3,218,839
Consideration receivables	2.06%	149,216	(3,070)	146,146
Other receivables	1.63%	1,204,786	(19,620)	1,185,166
Other financial assets at amortized cost	0.00%	583,174	–	583,174
		5,262,927	(129,602)	5,133,325

* Refer to note 28 for further details of consideration receivables, a lifetime expected credit losses has been provided for due to a significant increase in credit risk since initial recognition.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk *(continued)*

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

The expected credit losses provision for financial assets at amortized cost (excluding trade receivables) as at 31 December 2018 reconciles to the opening expected credit loss provision are as follows:

	Loans receivables RMB'000	Consideration receivables RMB'000	Other receivables RMB'000	Other financial assets at amortized cost RMB'000	Total RMB'000
Opening credit losses 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)
Opening expected credit losses provision – HKFRS 9	(106,912)	(3,070)	(19,620)	–	(129,602)
Provision for credit losses recognized 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
Closing expected credit loss provision at 31 December 2018	(116,987)	(77,094)	(48,207)	(72)	(242,360)

(c) Bills receivables measured at FVOCI

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

(d) Financial guarantee contracts

Management considered the internal credit risk of financial guarantee contracts 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 recognized during the period was limited to 12 months expected losses. For year ended 31 December 2018, no provision for loss allowance were recognized in profit or loss in "credit impairment losses" on financial assets 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 deemed 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 utilization 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:

	For the year ended 31 December 2018			
	Less than 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total 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**

	For the year ended 31 December 2017			
	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank and other borrowings	9,201,443	2,760,078	872,623	12,834,144
Corporate bonds	607	2,460,588	–	2,461,195
Trade and bills payables	6,814,951	–	–	6,814,951
Other payables and accruals	2,203,367	–	–	2,203,367
Financial guarantee contracts	1,732,199	479,836	140,575	2,352,610
Derivative financial instruments	95,489	–	–	95,489
	20,048,056	5,700,502	1,013,198	26,761,756

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.

(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 2018 and 2017.

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:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bank and other borrowings (note 39)	**10,464,418**	12,052,441
Corporate bonds (note 40)	**2,420,085**	1,919,988
	12,884,503	13,972,429
Non-current assets	**22,089,912**	22,793,129
Current assets	**27,966,791**	31,630,524
Total assets	**50,056,703**	54,423,653
Gearing ratio	**26%**	26%

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 amortized cost in the consolidated balance sheet 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 amortized 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 categorized 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 fair value 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 levels 1, level 2 and level 3 during the year ended 31 December 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 2018 and 31 December 2017.

(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 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 investment	–	–	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 instrument	–	–	518,602	518,602
	4,433,203	503,620	7,320,544	12,257,367
As at 31 December 2017				
Available-for-sale investments:				
– Listed equity investments	590,393	–	–	590,393
Financial assets held for trading	7,242,057	–	–	7,242,057
Financial assets designated as at FVPL	–	689,712	–	689,712
	7,832,450	689,712	–	8,522,162

(ii) Liabilities measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2017				
Forward contracts	–	95,489	–	95,489

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 (2017: financial assets held for trading and listed equity investments included in available-for-sale investments) 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 (2017: financial assets designated as at FVPL) 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 Group determined the fair value of forward contracts measured as financial liabilities at FVPL based on the quoted price on NASDAQ at 31 December 2017. The fair value of derivative financial instruments was determined based on the difference of contracted price and quoted market prices of the underlying instruments traded in active markets. These instruments are 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 categorized 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.

4. FAIR VALUE ESTIMATION *(continued)*

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

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

The following table presents the changes in level 3 items for the years ended 31 December 2018 and 2017:

	Financial assets at FVPL					Financial assets at FVOCI		Financial assets
	Unlisted equity investments	Trade receivables	Unlisted debt investment	Structured bank deposits	Derivative financial instrument	Unlisted equity investments	Bills receivables	Total
At 1 January 2017 and 31 December 2017	–	–	–	–	–	–	–	–
Changes in accounting policies	958,555	–	–	110,000	500,000	2,905,766	1,863,434	6,337,755
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)
Gains/(losses) recognized in profit or loss	27,056	(7,243)	30,320	14,150	18,602	–	–	82,885
Gains/(losses) recognized in other comprehensive income	–	–	–	–	–	59,680	15,317	74,997
Exchange difference	23,197	–	–	–	–	–	–	23,197
Closing balance at 31 December 2018	472,580	551,057	485,071	961,150	518,602	2,966,293	1,365,791	7,320,544

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 investments – 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 income (net of tax) for the year ended 31 December 2018 would have increased/decreased by approximately 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 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

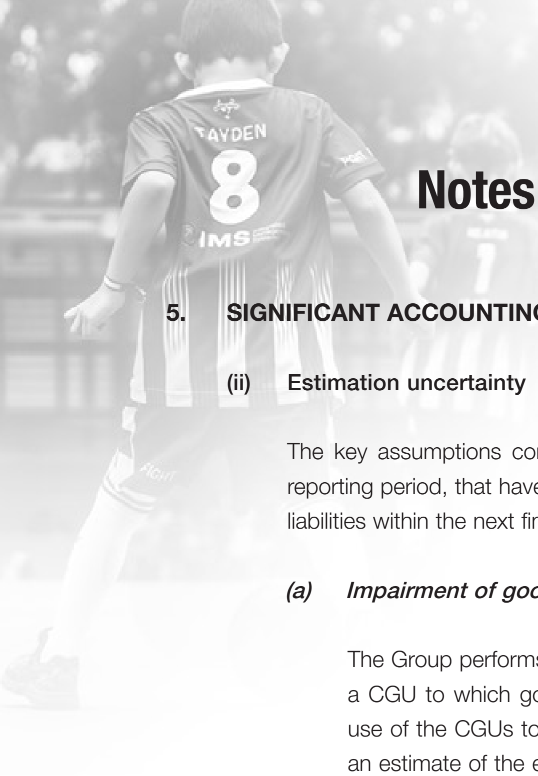
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

(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 (2017: two) of the Group's investment properties, a shopping mall acquired in previous year and a shopping mall constructed in previous year, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in that investment property 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 2018, the carrying amount of such properties was RMB3,443,000,000 (2017: RMB3,358,400,000). For the remaining investment properties on which the presumption is not rebutted, the Group has further recognized 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 2018, the carrying amount of these properties was RMB660,960,000 (2017: RMB622,390,000).

(b) Principal agent consideration for revenue

The Group offers a variety of travel related services including accommodation reservation services and ticketing services. Revenues are recognized 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 revenues 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 financial 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 2018 was RMB2,043,033,000 (2017: RMB2,047,674,000) with impairment loss of RMB30,232,000 (2017: RMB14,883,000) recognized 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 2018 was RMB4,103,960,000 (2017: RMB3,980,790,000). 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 credit losses provision 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 realizable value of inventories

Net realizable 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 recognizes 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 organized into business units based on their products and services and has five reportable operating segments as follows:

- Properties – investment, development and sale of properties, and provision of construction related service;
- Tourism – tourist goods and 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; rendering the investment and financial related consulting services;
- Healthcare, education and others – healthcare and education products and services and other products; and
- New energy – manufacture and sale of gear products.

6. OPERATING SEGMENT INFORMATION *(continued)*

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

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

	For the year ended 31 December 2018					
	Properties	Tourism	Investment and financial services	Healthcare, education and others	New energy	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 in acquisition of subsidiaries (note 10)						7,667
Gain on disposal of subsidiaries (note 10)						95,476
Loss 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)*

Segment assets exclude deferred tax assets, certain property, plant and equipment, tax prepaid, restricted cash, structured bank deposits, 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 and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	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 result of joint ventures (note 23)	(50,478)	23,412	–	–	4,739	–	(22,327)
Share of result of associates (note 24)	61,940	122	–	(55,738)	8,045	–	14,369
Impairment losses recognized in profit or loss	10,087	1,431	41,044	307	62,116	76,528	191,513
Depreciation and amortization (note 18,22)	2,184	23,587	31,894	8,059	626,136	863	692,723
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* (note 18,19,20,22)	190,940	9,997	12,431	8,733	650,197	5	872,303

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets including assets from acquisition of subsidiaries.

6. OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2017					
	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	2,007,216	167,453	49,049	560,825	8,241,914	11,026,457
Fair value changes in financial instruments	–	–	1,907,073	–	–	1,907,073
Segment results	1,404,242	48,334	2,202,884	(256,377)	250,723	3,649,806
Reconciliation:						
Unallocated bank interest income (note 9)						120,779
Gain on disposal of subsidiaries (note 10)						364,534
Gain on a bargain purchase in acquisition of subsidiaries (note 10)						38,038
Loss on disposal of associates (note 10)						(128,151)
Unallocated income and losses						(94,436)
Corporate and other unallocated expenses						(106,628)
Finance cost (note 12)						(731,051)
Profit before tax						3,112,891
Segment assets	6,669,619	1,783,039	16,504,495	857,982	19,687,767	45,502,902
Reconciliation:						
Corporate and other unallocated assets						8,920,751
Total assets						54,423,653
Segment liabilities	1,470,987	33,991	312,224	41,535	8,372,569	10,231,306
Reconciliation:						
Corporate and other unallocated liabilities						16,988,648
Total liabilities						27,219,954

6. OPERATING SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2017						
	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 result of joint ventures (note 23)	(1,530)	80,319	–	–	74,161	–	152,950
Share of result of associates (note 24)	62,961	–	–	(2,176)	5,137	–	65,922
Impairment losses recognized in profit or loss	–	–	–	143,938	411,138	–	555,076
Depreciation and amortization (note 18,22)	3,022	15,496	1,950	33,638	718,292	18,783	791,181
Investments in joint ventures (note 23)	888,280	979,340	–	–	99,958	–	1,967,578
Investments in associates (note 24)	181,420	20,000	–	312,653	158,014	–	672,087
Capital expenditure* (note 18, 19, 20, 22)	2,105	11,373	14	56,673	1,428,907	496	1,499,568

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets including assets from acquisition of subsidiaries.

(i) Revenue from external customers

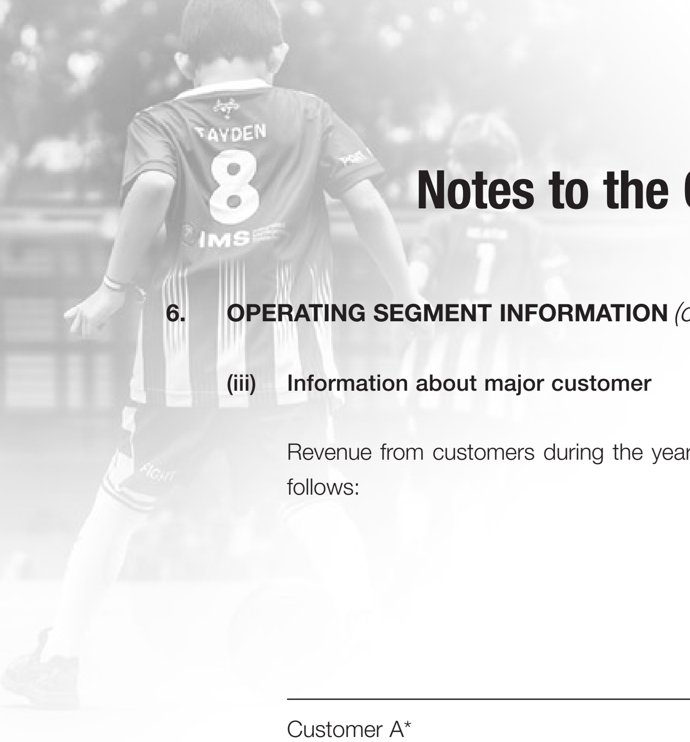
	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
PRC	**7,057,993**	8,025,141
United States of America	**1,807,691**	1,932,173
Europe	**459,020**	364,977
Australia	**427,277**	369,175
Other countries	**536,670**	334,991
	10,288,651	11,026,457

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	31 December 2018 RMB'000	31 December 2017 RMB'000
PRC	**11,973,304**	12,398,540
Australia	**1,072,937**	1,078,584
United States of America	**159,705**	155,342
Other countries	**23,602**	42,705
	13,229,548	13,675,171

The non-current asset 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) Information about major customer

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

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Customer A*	**3,001,454**	2,603,785
Customer B*	**1,051,823**	N/A

* Revenue from sale of wind and industrial gear transmission equipment in the new energy segment.

7. DISAGGREGATION OF REVENUE

(i) Revenue from contracts with customers

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

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Included in properties segment:		
– Property development and sales	**482,025**	1,704,330
– Gross rental income	**221,296**	173,361
– Construction services	**70,228**	129,525
	773,549	2,007,216
Included in tourism segment:		
– Hotel operations	**182,521**	167,453
– Sales of tourist goods and services	**446,409**	–
	628,930	167,453
Included in new energy segment:		
– Sale of gear products	**8,509,022**	8,241,914
Included in investment and financial services segment:		
– Investment and financial consulting services	**10,926**	49,049
Included in healthcare, education and others segment:		
– Education services	**247,095**	202,190
– Healthcare products and other services	**119,129**	358,635
	366,224	560,825
	10,288,651	11,026,457

7. DISAGGREGATION OF REVENUE *(continued)*

(ii) Liabilities related to contracts with customers

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

	31 December 2018 RMB'000	1 January 2018 (note 2.2.3) RMB'000
Contract liabilities related to		
– Property development and sales	89,994	414,068
– Sale of gear products	302,533	542,429
– Others	20,905	15,169
	413,432	971,666

(a) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	For the year ended 31 December 2018 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	
– Property development and sales	372,087
– Sale of gear products	450,216
– Others	15,169
	837,472

(b) Contracted amounts to be recognized in future

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

	31 December 2018 RMB'000
Expected to be recognized within one year	635,230

8. FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Fair value change in other financial assets at fair value through profit or loss (a)	**(3,521,358)**	2,075,665
Fair value change in derivative financial instruments (note 29)	**(34,498)**	(125,829)
Fair value change in financial assets designated as at fair value through profit or loss	**–**	(45,506)
Fair value change in derivative components of convertible bonds	**–**	2,743
	(3,555,856)	1,907,073

(a) The fair value change mainly derived from listed equity investments. The Group recorded a significant fair value loss in year 2018 mainly due to the price decrease of approximately 949,224,000 shares of Zall Group held by the Group.

9. OTHER INCOME

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Bank interest income (a)	**151,896**	120,779
Other interest income (b)	**390,576**	167,240
Dividend income	**146,919**	120,902
Management fee income	**67,811**	60,945
Government grants	**42,990**	39,275
Others	**9,526**	1,448
	809,718	510,589

(a) Bank interest income principally derived from restricted cash and cash and cash equivalents (note 35).

(b) Other interest income principally derived from loans receivables and other financial assets at amortized cost (note 28).

10. OTHER GAINS/(LOSSES) – NET

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Change in fair value of properties held for sale transferred to investment properties (note 19)	–	416,137
Gain on disposal of subsidiaries (note 49)	95,476	364,534
Change in fair value of investment properties (note 19)	103,997	92,932
Gain from land resumption	–	86,754
Gain on a bargain purchase recognized in acquisition of subsidiaries (note 48)	7,667	38,038
Gain on disposal of available-for-sale investments	–	3,666
(Loss)/gain on disposal of property, plant and equipment	(1,346)	833
Loss on disposal of associates	(583)	(128,151)
Gain on disposal of a joint venture	248	–
Impairment loss of other intangible assets	–	(63,409)
Impairment loss of property, plant and equipment	–	(189,279)
Impairment loss of goodwill (note 21)	(30,232)	(14,883)
Foreign exchange losses – net	(5,340)	(110,831)
Others	(1,623)	(94,000)
	168,264	402,341

11. EXPENSES BY NATURE

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Employee benefit expense		
Directors' remuneration (note 13)		
– Fees	1,849	1,872
– Salaries and allowances and benefit in kind	4,796	7,664
– Pension scheme contribution	118	174
	6,763	9,710
Other staff costs		
– Salaries and other benefit	1,543,649	1,589,199
– Pension scheme contribution	190,878	173,397
Cost of inventories sold	6,271,102	4,973,734
Depreciation of property, plant and equipment (note 18)	606,774	668,403
Cost of properties sold	271,721	930,547
Advertising expense	223,943	166,761
Office expense	90,645	106,946
Amortisation of other intangible assets (note 22)	85,949	122,778
Amortisation of prepaid land lease payments (note 20)	32,374	28,753
Inventory write down to net realisable value	30,064	118,757
Audit fee	7,500	7,970
Impairment loss on prepayments	–	85,664
Impairment loss on trade and other receivables	–	107,841
Other tax expense	49,691	54,499
Others	723,766	1,076,431
	10,134,819	10,221,390
Representing:		
Cost of sales and services	8,320,984	8,066,730
Selling and distribution expenses	418,525	544,894
Administrative expenses	1,047,603	1,282,631
Research and development costs	347,707	327,135
	10,134,819	10,221,390

12. FINANCE COSTS

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Financial costs		
– Bank and other borrowings	808,055	660,837
– Interest on corporate bonds (note 40)	164,979	77,341
– Interest on convertible bonds	–	1,414
– Interest on finance leases	–	163
Less: interest capitalized (note 33)	(24,287)	(8,704)
	948,747	731,051

13. DIRECTORS' REMUNERATION

(i) Directors' emoluments

The remuneration of each director is set out below:

	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 Changqun ("Mr. Ji")[(3)]	308	–	–	308
Ms. Du Wei[(1)]	149	641	48	838
Mr. Shi Zhiqiang[(2)]	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

13. DIRECTORS' REMUNERATION *(continued)*

(i) Directors' emoluments *(continued)*

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2017				
Executive directors:				
Mr. Shi Zhiqiang	312	2,444	104	2,860
Mr. Wang Bo	312	3,209	16	3,537
Chief executives:				
Mr. Ji[3]	312	–	–	312
Mr. Deng Xiaoxiong[4]	–	2,011	54	2,065
Independent non-executive directors:				
Mr. Lau Chi Keung	312	–	–	312
Mr. Chow Siu Lui	312	–	–	312
Mr. Tsang Sai Chung	312	–	–	312
	1,872	7,664	174	9,710

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

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

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

(4) Mr. Deng Xiaoxiong resigned as a co-chief executive on 14 August 2017.

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

(ii) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2017: Ditto).

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

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Ditto).

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

There are no loans, quasi-loans or other dealing arrangements in favor of directors, controlled bodies corporate by and controlled entities with such directors (2017: Ditto).

13. DIRECTORS' REMUNERATION *(continued)*

(v) Information about Directors' share options and share award

During the year ended 31 December 2018, the Group has adopted a share option scheme and restricted share award scheme pursuant to which 3,348,200 share options and 663,700 award shares were granted to Ms. Du Wei. No share options were exercised and no award shares were purchased by Ms. Du Wei during the year. Further details of share option scheme and restricted share award scheme are set out in note 44.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2017: one director), details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Salaries, bonuses, allowances and benefits in kind	**14,888**	12,483
Pension scheme contributions	**174**	175
	15,062	12,658

The bonus payments are discretionary and based on the performance of the individuals for the financial year and market trends.

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	For the year ended 31 December 2018	For the year ended 31 December 2017
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**3**	3
HK$6,000,001 to HK$6,500,000	**1**	–
	4	4

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the directors, chief executives or five highest paid individuals as an inducement to join or upon joining the Group. During the years ended 31 December 2018 and 2017, no emoluments have been paid by the Group to the directors, chief executives or five highest individuals as compensation for loss of the office.

15. INCOME TAX (CREDIT)/EXPENSE

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

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Current tax – charge for the year		
– Mainland China	154,632	642,798
– Hong Kong	5,336	47,625
– Australia	1,477	–
– Singapore	591	–
Deferred tax (note 42)	(641,607)	286,004
	(479,571)	976,427

PRC corporate income tax ("CIT")

PRC CIT has been provided at the rate of 25% (2017: 25%) on the taxable profits of the Group's Mainland China subsidiaries, except those listed below, for the year ended 31 December 2018.

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

Name of company	Year end during which approval was obtained	Year ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd. (南京高速齒輪製造有限公司)	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) ("**Nanjing High Accurate**")	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)/EXPENSE *(continued)*

PRC 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税暫行條例） 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税暫行條例實施細則） effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Enterprises incorporated in other places other than Mainland China are subject to income tax rates of 16.5% to 30% prevailing in the places in which these enterprises operated for the year ended 31 December 2018 (2017: 16.5% to 30%).

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
(Loss)/Profit before tax	**(3,542,028)**	3,112,891
Tax at the statutory tax rate of 25%	**(885,507)**	778,223
Effect of different tax rates of subsidiaries operating in other jurisdictions and lower tax rate for specific provinces or enacted by local authorities	**275,766**	(252,411)
Over provision in respect of prior year	**(25,408)**	(8,488)
Net loss/(profit) attributable to joint ventures and associates	**1,990**	(54,718)
Income not subject to tax	**(136,036)**	(51,277)
Expenses not deductible for tax	**195,366**	105,386
Tax losses utilized from previous periods	**(3,205)**	(3,609)
Tax losses not recognized	**68,811**	165,591
Effect of withholding tax on the distributable profits of the Group's Mainland China subsidiaries	**3,624**	76,053
Temporary differences not recognized	**10,447**	95,320
Provision for LAT	**31,751**	155,524
Tax effect for LAT	**(7,437)**	(38,316)
Deferred tax on LAT in respect of investment properties	**(2,004)**	(2,262)
Additional deductible allowance for research and development expenses	**(33,693)**	(9,987)
Others	**25,964**	21,398
	(479,571)	976,427

The share of tax attributable to joint ventures and associates amounting to charge of RMB49,667,000 (2017: RMB3,916,000) and credit of RMB47,677,000 (2017: RMB58,634,000), respectively, is included in "share of result of joint ventures and associates" in profit or loss.

16. DIVIDENDS

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Proposed final dividend – nil (2017: RMB1.5 cents) per ordinary share	**–**	295,936

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 recognized as distribution during the year ended 31 December 2018.

The board of directors has resolved not to declare a final dividend for the year ended 31 December 2018.

17. (LOSS)/EARNINGS PER SHARE

(i) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
(Loss)/profit attributable to the shareholders of the Company	**(3,029,954)**	2,267,453
Weighted average number of ordinary shares in issue*	**19,728,331,673**	19,729,061,731
(Loss)/earnings per share	**RMB(0.15)**	RMB0.11

* 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 (note 44).

17. (LOSS)/EARNINGS PER SHARE *(continued)*

(ii) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2017, the Company had one category of dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares. All the outstanding convertible bonds have been redeemed by 31 December 2017.

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
(Loss)/profit attributable to the shareholders of the Company	**(3,029,954)**	2,267,453
Interest on convertible bonds	**–**	1,414
Fair value change on the derivative component of the convertible bonds	**–**	(2,743)
(Loss)/profit used to determine diluted (loss)/earnings per share	**(3,029,954)**	2,266,124
Weighted average number of ordinary shares in issue	**19,728,331,673**	19,729,061,731
Adjustment for:		
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	5,303,096
Adjusted weighted average number of ordinary shares for diluted (loss)/earnings per share	**19,728,331,673**	19,734,364,827
Diluted (loss)/earnings per share	**RMB(0.15)**	RMB0.11

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Freehold land 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 impairment	(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
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 (note 48)	–	–	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 (note 49)	–	(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 realignment	(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 impairment	(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 land 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 2017							
Cost	338,391	3,163,845	5,477,888	329,396	360,452	918,430	10,588,402
Accumulated depreciation and impairment	(23,292)	(496,228)	(3,041,582)	(212,465)	(256,889)	–	(4,030,456)
Net carrying amount	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946
Year ended 31 December 2017							
Opening net carrying amount	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946
Additions	–	10,432	48,358	40,655	34,228	453,039	586,712
Acquisition of subsidiaries	–	238,663	521,593	4,194	6,111	25,000	795,561
Depreciation provided during the year (note 11)	(14,627)	(101,344)	(497,917)	(30,754)	(23,761)	–	(668,403)
Disposals of subsidiaries	–	(458,691)	(458,854)	(21,490)	(16,900)	(202,006)	(1,157,941)
Disposals	–	–	(50,076)	(7,865)	(4,489)	–	(62,430)
Land resumption	–	(133,526)	(54,141)	(3,416)	(3,062)	(3,420)	(197,565)
Reclassification	–	142,806	102,866	7,938	37,283	(290,893)	–
Exchange realignment	–	–	(99)	(49)	(132)	–	(280)
Impairment provided during the year (note 10)	–	(102)	(128,624)	(3,636)	(26,509)	(30,408)	(189,279)
Closing net carrying amount	300,472	2,365,855	1,919,412	102,508	106,332	869,742	5,664,321
At 31 December 2017:							
Cost	338,391	2,846,149	5,222,175	303,976	348,589	900,150	9,959,430
Accumulated depreciation and impairment	(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

The Group had no fixed assets under finance leases.

The Group was in the process of obtaining property certificates for buildings with carrying amount of RMB1,010,766,000 (2017: RMB1,186,433,000) at the end of the reporting period.

The freehold land is located in the United State of America and Australia.

During the year ended 31 December 2018, the Group did not make any impairment provision against property, plant and equipment (2017: RMB189,279,000).

As at 31 December 2018, property, plant and equipment with carrying amount of RMB1,114,262,000 (2017: RMB171,016,000) were pledged as collateral for the Group's borrowings (note 52).

19. INVESTMENT PROPERTIES

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Carrying amount at 1 January	**3,980,790**	2,765,354
Additions	**33,383**	–
Change in fair value of properties held for sale upon transferring to investment properties (note 10)	**–**	416,137
Increase in fair value recognized in profit or loss (note 10)	**103,997**	92,932
Transfers from properties held for sale	**–**	733,863
Disposal of subsidiaries	**–**	(5,600)
Disposal	**(14,210)**	(21,896)
Carrying amount at 31 December	**4,103,960**	3,980,790

For the year ended 31 December 2018, rental income and operating expense arising from leasing of investment properties are as follows:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Rental income	**221,296**	173,361
Direct operating expenses from investment properties that generated rental income	**(34,005)**	(24,609)

The Group's investment properties consist of two shopping malls, five commercial properties and offices (2017: two shopping malls, four commercial properties and offices) in the PRC. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Avista Valuation Advisory Limited ("**Avista**") (2017: Avista), an independent professionally qualified valuer on the basis of capitalization of rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 51 to the consolidated financial statements.

As at 31 December 2018, the Group's investments properties with carrying amount of RMB3,800,000,000 (2017: RMB3,599,360,000) were mortgaged as collateral for the Group's borrowings (note 39) and connected person's borrowings (note 50).

19. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	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

	31 December 2017			
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	–	–	3,358,400	3,358,400
Commercial properties	–	–	314,800	314,800
Offices	–	–	307,590	307,590
	–	–	3,980,790	3,980,790

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 (2017: 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:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017
Yuhua Salon（雨花客廳）A1 (certain units)	Term and reversion method	Estimated rental value (per sq.m. and per month)	**RMB67 to RMB129**	RMB97
		Long term vacancy rate	**0%**	0%
		Reversionary yield rate	**5%-5.5%**	4.8%-6%
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 9%
		Long term vacancy rate	**0%**	0%
		Discount rate	**9%**	7%
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)	**RMB16 to RMB97**	RMB17 to RMB91
		Long term vacancy rate	**10%**	10%
		Reversionary yield rate	**3.5%-5%**	3.5%-5%
Epark shopping mall（雨花客廳）	Discounted cash flow method (2018)/ Term and reversion method(2017)	Estimated rental value (per sq.m. and per month)	**RMB12 to RMB735**	RMB12 to RMB735
		Rent growth (p.a.)	**3% to 31%**	NA
		Long term vacancy rate	**0%**	0%
		Discount rate(2018)/ Reversionary yield rate(2017)	**9%**	3%-4%
WanGuo（萬國物業）	Market approach	Price per sq.m.	**RMB5,700**	N/A

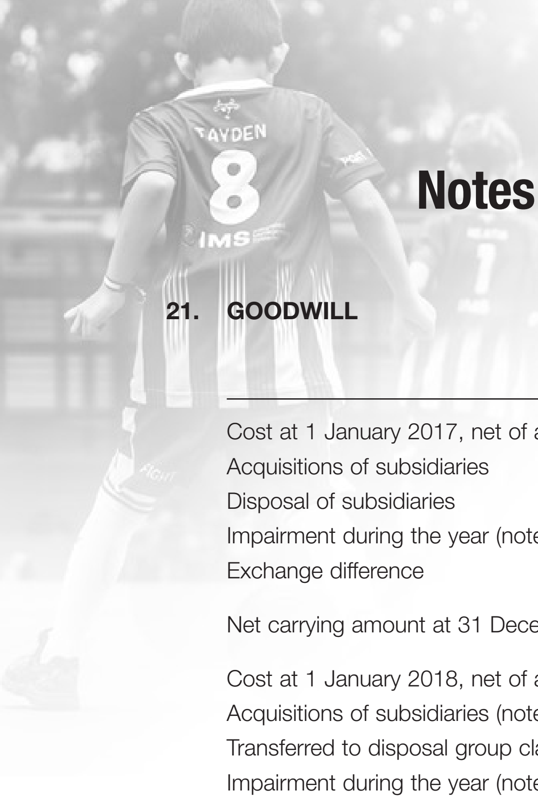
If the rent growth rate increases/decreases by 3%, it would result in an increase/(decrease) in the fair value of the investment properties amounting to RMB331,000,000 and RMB300,000,000 respectively. If the discount rate increases/decreases by 0.5%, it would result in an (decrease)/increase in the fair value of the investment properties amounting to RMB177,000,000 and RMB193,000,000 respectively.

20. PREPAID LAND LEASE PAYMENTS

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Carrying amount at 1 January	**1,187,972**	1,417,160
Addition during the year	**235,292**	4,297
Acquisition of subsidiaries	**–**	112,790
Transferred from properties under development (note 33)	**78,551**	–
Land resumption	**–**	(103,562)
Disposal of subsidiaries (note 49)	**(114,163)**	(213,960)
Transferred to disposal group classified as held-for-sale (note 36)	**(182,340)**	–
Released during the year (note 11)	**(32,374)**	(28,753)
Carrying amount at 31 December	**1,172,938**	1,187,972
For reporting purposes:		
Current portion	**24,438**	26,830
Non-current portion	**1,148,500**	1,161,142
	1,172,938	1,187,972

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 (2017: RMB450,622,000).

As at 31 December 2018, prepaid land lease payments with carrying amount of RMB128,756,000 (2017: RMB58,170,000) were secured as collateral for the Group's borrowings (note 52).



21. GOODWILL

	RMB'000
Cost at 1 January 2017, net of accumulated impairment	1,667,339
Acquisitions of subsidiaries	462,154
Disposal of subsidiaries	(63,840)
Impairment during the year (note 10)	(14,883)
Exchange difference	(3,096)
Net carrying amount at 31 December 2017	2,047,674
Cost at 1 January 2018, net of accumulated impairment	2,047,674
Acquisitions of subsidiaries (note 48)	41,957
Transferred to disposal group classified as held-for-sale (note 36)	(2,991)
Impairment during the year (note 10)	(30,232)
Exchange difference	(13,375)
Net carrying amount at 31 December 2018	2,043,033
At 31 December 2018:	
Cost	2,073,265
Accumulated impairment	(30,232)
Net carrying amount	2,043,033

(i) Impairment testing of goodwill

After a series of acquisitions, the Group formed a diversified operation, including manufacturing and selling of gear products in the PRC, rendering investment and financial service in Hong Kong, and rendering 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 service CGU; and
- Education CGU

(a) New energy CGU

As at 31 December 2018, 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 12.18%. The growth rate used to extrapolate the cash flows of the new energy CGU beyond the five-year period is 3%, which was the same as the long term average growth rate of the gear products industry.

21. GOODWILL *(continued)*

(i) Impairment testing of goodwill *(continued)*

(b) Investment and financial service CGU

The recoverable amount of investment and financial service CGU was 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 rates applied to the cash flow projections is ranging from 16.8% to 18.3% (2017: 17.3% to 21.4%). The growth rate used to extrapolate the cash flows of investment and financial service CGU beyond the five-year period is 3% (2017: 3%).

During the year ended 31 December 2018, the Group recognized an impairment loss of RMB30,232,000 (2017: nil) in relation to goodwill of investment and financial service CGU. Since the competition of the industry was keen, 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 Group's other business did not happen. Accordingly, management provided impairment in the year ended 31 December 2018.

(c) Education CGU

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 12.8% (2017: 12.6%). The growth rate used to extrapolate the cash flows of education CGU beyond the five-year period is 2% (2017: 2%).

(ii) Summary of the allocation of goodwill

As at 31 December 2018, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education	New energy	Investment and financial service	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	487,368	1,466,346	89,319	2,043,033

As at 31 December 2017, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Education	Healthcare service*	New energy	Investment and financial service	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	459,058	–	1,469,065	119,551	2,047,674

* Healthcare service CGU was disposed of during the year ended 31 December 2018 (note 49).

As disclosed the Group's year 2017 consolidated financial statements, the Group acquired four early learning service centres (the "Centres") on 28 July 2017, 11 August 2017 and 1 September 2017 respectively, of which the fair values of the identifiable assets and liabilities of the Centres were determined provisionally. During the current year, the valuation has been completed, and there is no difference between the finalized and the provisional amounts of the identifiable net liabilities and goodwill relating to the Centres.

22. OTHER INTANGIBLE ASSETS

	Patents & technology RMB'000	Deferred developments costs RMB'000	Customer relationship RMB'000	License 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 (note 48)	–	–	–	10,099	10,099
Disposals of subsidiaries (note 49)	(11,545)	–	–	–	(11,545)
Transferred to disposal group classified as held-for-sale (note 36)	(3,689)	–	–	–	(3,689)
Amortisation charge (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					
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
At 1 January 2017					
Cost	221,141	780,593	540,000	12,106	1,553,840
Accumulated amortisation	(18,464)	(646,131)	(4,500)	–	(669,095)
Net carrying amount	202,677	134,462	535,500	12,106	884,745
For the year ended 31 December 2017					
Opening net carrying amount	202,677	134,462	535,500	12,106	884,745
Additions	–	208	–	–	208
Disposals of subsidiaries	(410)	(20,649)	–	–	(21,059)
Amortisation charge (note 11)	(20,545)	(46,466)	(54,000)	(1,767)	(122,778)
Impairment provided during the year (note 10)	(25,115)	(38,294)	–	–	(63,409)
At 31 December 2017	156,607	29,261	481,500	10,339	677,707
At 31 December 2017					
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

23. INVESTMENTS IN JOINT VENTURES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,060,904**	1,967,578

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
At 1 January	**1,967,578**	1,907,275
Additional investments	**–**	923,567
Loss of control in a subsidiary becoming a joint venture (note 49)	**177,506**	–
Refund from existing joint ventures	**(103,576)**	–
Disposal of joint ventures (a)	**(1,002,752)**	(957,457)
Share of profit of joint ventures	**3,997**	152,950
Provision for impairment included in share of result	**(26,324)**	–
Exchange difference	**44,475**	(33,757)
Dividends from joint ventures	**–**	(25,000)
At 31 December	**1,060,904**	1,967,578

(a) 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. The disposal resulted in a gain of RMB248,000 recognized in "other gains/(loss) – net" (note 10). 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).

23. INVESTMENTS IN JOINT VENTURES *(continued)*

(i) Summarized financial information for material joint ventures

Set out below are joint ventures of the Group as at 31 December 2018 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.

For the year ended 31 December 2018

Name	Registered capital	Place of registration and business	Percentage of ownership or interest attributable to the Group	Principal activities	Carrying amount 31 December 2017	31 December 2018
					RMB'000	RMB'000
Fullshare Value Fund I L.P. ("**FVF I L.P.**")	Registered capital US$239,827,000	Hong Kong	50.39	Investment	888,280	778,702
Nanjing High Accurate Construction Equipment Co., Ltd.（南京高精齒輪建造設備有限公司）("**Nanjing Construction**")	Registered capital RMB20,000,000	PRC	50.00	Metallurgical engineering and manufacturing	64,148	93,896

The Group's shareholdings in the joint ventures are all indirectly held by the subsidiaries of the Company. Refer to related party transactions (note 54) for the Group's transactions, and receivable and payable balances with the joint ventures.

23. INVESTMENTS IN JOINT VENTURES *(continued)*

(i) Summarized financial information for material joint ventures *(continued)*

	FVF I L.P		Nanjing Construction	
	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets				
Cash and cash equivalents	161,399	229,482	90,461	77,177
Other current assets	3,304,789	3,186,312	608,638	347,408
Total current assets	3,466,188	3,415,794	699,099	424,585
Total non-current assets	184,796	350,708	2,938	1,069
Total current liabilities	(70,134)	(55,969)	(514,245)	(297,359)
Total non-current liabilities	(2,029,474)	(1,941,501)	–	–
Non-controlling interest	(6,026)	(6,222)	–	–
Net assets	1,545,350	1,762,810	187,792	128,295
The Group's share in %	50.39%	50.39%	50.00%	50.00%
Carrying amount	778,702	888,280	93,896	64,148
Revenue	5,708	1,032	621,340	300,485
Income tax expense	–	(9,167)	(10,500)	(6,096)
(Loss)/profit for the year	(100,173)	(3,034)	59,497	34,511
The Group's share	(50,477)	(1,529)	29,749	17,256

(ii) Individually immaterial material joint ventures

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Share of the joint ventures' profit and total comprehensive income for the year	**(1,599)**	137,223

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's investments in the other joint ventures	**188,306**	1,015,150

24. INVESTMENTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,546,452**	553,524
Goodwill on acquisition	**314,693**	201,455
Financial guarantees granted to an associate (note 54)	**20,555**	11,108
Provision for impairment	**(140,460)**	(94,000)
	1,741,240	672,087

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
At 1 January	**672,087**	1,580,930
Additional investments	**1,330,805**	170,000
Share of profit of associates	**60,829**	65,922
Addition of financial guarantees granted to an associate	**9,447**	11,108
Disposal of associates	**(583)**	(1,032,217)
Disposal of an associate in subsidiary (note 49)	**(170,000)**	–
Transferred to disposal group classified as held-for-sale (note 36)	**(60,886)**	–
Share of other comprehensive income of associates	**(54,535)**	5,076
Dividends from associates	**(10,282)**	(4,218)
Provision for impairment*	**(46,460)**	(94,000)
Exchange difference	**10,818**	(30,514)
At 31 December	**1,741,240**	672,087

* For the year ended 31 December 2018, the impairment loss was included in share of result of associate (2017: other gains/(losses) (note 10)).

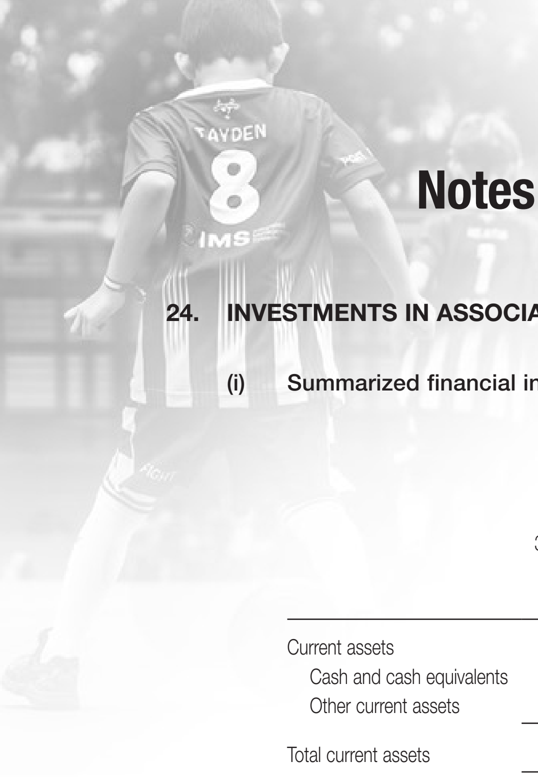
24. INVESTMENTS IN ASSOCIATES *(continued)*

(i) Summarized 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 31 December 2018 RMB'000	31 December 2017 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 RMB1,881,540,000	PRC	44.00	Property development	1,010,368	NA
Hin Sang Group (International) Holding Co. Ltd. ("**Hin Sang**")	Ordinary shares HK$109,350,000	Cayman Islands/ Hong Kong	22.86	Development and sale of healthcare products	195,392	289,953
Nanjing Jiansheng Real Estate Development Company Limited (南京建盛房地產開發有限公司) ("**Jiansheng**")	Registered capital RMB50,000,000	PRC	35.00	Property development	24,223	11,420
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 RMB500,000,000	PRC	37.21	Finance leasing	122,532	NA
Yangzhou Hengfu Real Estate Development Co. Ltd. (揚州恒富房地產開發有限公司) ("**Hengfu**")	Ordinary shares RMB36,364,000	PRC	45.00	Property development	238,768	NA

Refer to related party transactions (note 54) for the Group's transactions, and receivable and payable balances with associates.

Hin Sang is a company listed on SEHK (06893.SEHK). The fair value of the listed investment as at 31 December 2018 amounted to RMB195,392,000 (2017: RMB289,849,000).



24. INVESTMENTS IN ASSOCIATES *(continued)*

(i) Summarized financial information for material associates *(continued)*

	Hengfu	Jiangheng	Zhongbang Finance Leasing	Hin Sang		Jiansheng	
	31 December 2018 RMB'000	31 December 2018 RMB'000	31 December 2018 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets							
Cash and cash equivalents	283,040	170,405	370	85,664	77,594	243,813	173,865
Other current assets	2,122,557	3,250,766	156,003	41,253	141,711	1,661,938	1,150,980
Total current assets	2,405,597	3,421,171	156,373	126,917	219,305	1,905,751	1,324,845
Non-current assets	84	268	241,109	546,190	564,805	1,229	201
Current liabilities	(1,861,764)	(1,360,087)	(67,634)	(149,531)	(26,694)	(860,271)	(132,417)
Non-current liabilities	(15,000)	–	(550)	–	–	(977,500)	(1,160,000)
Non-controlling interest	–	–	–	(27,393)	(46,916)	–	–
Net assets	528,917	2,061,352	329,298	496,183	710,500	69,209	32,629
The Group's share in %	45.00%	44.00%	37.21%	22.86%	22.86%	35.00%	35.00%
The Group's share	238,013	906,995	122,532	113,427	162,420	24,223	11,420
Goodwill on acquisition	755	103,373	–	203,822	195,250	–	–
Exchange realignment	–	–	–	18,603	26,283	–	–
Carrying amount before impairment	238,768	1,010,368	122,532	335,852	383,953	24,223	11,420
Impairment loss for investment in associate	–	–	–	(140,460)	(94,000)	–	–
Carrying amount	238,768	1,010,368	122,532	195,392	289,953	24,223	11,420
Revenue	689,825	142,618	36,739	158,993	166,929	511,352	–
Income tax expense	(48,568)	(8,992)	(3,586)	(2,375)	(4,759)	(7,302)	–
Profit/(loss) for the year	86,150	23,564	10,757	(553)	8,286	36,582	(14,931)
The Group's share	38,768	10,368	4,003	(126)	1,894	12,804	(5,226)
Impairment loss	–	–	–	(46,460)	–	–	–
Share of result	38,768	10,368	4,003	(46,586)	1,894	12,804	(5,226)

24. INVESTMENTS IN ASSOCIATES *(continued)*

(ii) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Share of the associates' (loss)/profit and total comprehensive (loss)/income for the year	**(4,988)**	69,254

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's Investments in other associates	**149,957**	370,714

25. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instrument as at the end of the reporting period as follows:

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
Financial assets			
Restricted cash	35	**2,939,170**	3,110,492
Cash and cash equivalents	35	**2,536,801**	5,221,679
Consideration receivables	28	**342,480**	149,216
Loans receivables	28	**2,546,988**	3,325,751
Structured bank deposits	35	**–**	110,000
Trade receivables	31	**4,634,278**	4,755,094
Bills receivables	27	**–**	1,895,179
Other receivables	28	**1,115,586**	1,188,316
Other financial assets at amortized cost	28	**1,173,116**	583,174
Financial assets at fair value through other comprehensive income	27	**4,904,854**	–
Available-for-sale investments	27	**–**	4,894,177
Financial assets at fair value through profit or loss	26	**7,352,513**	7,931,769
		27,545,786	33,164,847
Financial liabilities			
Corporate bonds	40	**2,420,085**	1,919,988
Bank and other borrowings	39	**10,464,418**	12,052,441
Trade and bills payables	37	**6,519,944**	6,814,951
Other payables and accruals	38	**3,177,494**	2,203,367
Derivative financial instruments	29	**–**	95,489
		22,581,941	23,086,236

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 recognize fair value gains and losses through OCI, and
- Other non-equity investments that do not qualify for measurement at either amortized cost or FVOCI.

(ii) Summary of financial assets measured at FVPL

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Non-Current assets			
Contractual right in relation to a listed entity	(a)	**–**	493,699
Convertible bonds	(b)	**–**	196,013
Unlisted equity investment		**462,265**	–
Derivative financial instrument	(c)	**518,602**	–
		980,867	689,712
Current assets			
Listed equity investments	(d)	**3,860,433**	7,242,057
Unlisted equity investment		**10,315**	–
Contractual right in relation to a listed entity	(a)	**503,620**	–
Trade receivables measured at FVPL	(e)	**551,057**	–
Unlisted debt investment		**485,071**	–
Structured bank deposits	(f)	**961,150**	–
		6,371,646	7,242,057

(a) 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 performed by Avista at RMB503,620,000 (2017: RMB493,699,000). During the year ended 31 December 2018, the unrealised gain arising from holding this investment amounted to approximately RMB9,921,000 (2017: unrealised gain of RMB32,652,000) was recorded and included in the fair value change in financial instruments.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(ii) Summary of financial assets measured at FVPL *(continued)*

(b) On 25 January 2017, the Group entered into an agreement with GF Capital (Hong Kong) Limited（廣發融資（香港）有限公司）, the convertible bond agent of Automated System Holdings Limited（自動系統集團有限公司, 00771. SEHK) to acquire the zero-interest convertible bonds of Automated System Holdings Limited with a principal amount of HK$250,000,000 at a cash consideration of HK$250,000,000 (equivalent to RMB221,730,000). The bonds are zero-interest and mature on 24 January 2020. The investment was designated on initial recognition to be measured at fair value and was revalued on 31 December 2017 based on valuations performed by APAC Asset Valuation and Consulting Limited, an independent professionally qualified valuer, at HK$235,000,000 (equivalent to RMB196,013,000). During the year ended 31 December 2017, the unrealised loss arising from holding this investment amounted to approximately HK$15,000,000 (equivalent to RMB12,854,000) was recorded and included in the fair value change in financial instruments. During the year ended 31 December 2018, the Group disposed of the convertible bond at a consideration of HK$270,000,000 (equivalent to RMB226,986,000).

(c) 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.

The separate derivative derived from the investment in Guiman Fund was measured at FVPL and classified as non-current assets because the investment income would be guaranteed by the other limited partner Ningbo Zhongbang due to the net liability position of Guiman Fund as at 31 December 2018.

(d) The balances as at 31 December 2018 and 2017 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 the investments.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Zall Group (02098.SEHK)	**3,542,707**	6,761,509
C&D International Investment Group Limited (01908.SEHK)	**234,646**	345,317
China Saite Group Company Limited (00153.SEHK)	**66,219**	95,194
Medicskin Holdings Limited (08307.SEHK)	**16,861**	40,037
	3,860,433	7,242,057

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(ii) Summary of financial assets measured at FVPL *(continued)*

(e) Trade receivables measured at FVPL

At 3 September 2018, the Group entered into two agreements with a bank to sell all of its eligible trade receivables under certain customers 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 2018, such trade receivables for solely selling purpose amounting to RMB551,057,000 were classified as financial assets at FVPL. For the year ended 31 December 2018, fair value change of RMB7,243,000 for trade receivables measured at FVPL is recognized in "other gains/(losses) – net".

(f) Structured bank deposits

At 31 December 2018, structured bank deposits of RMB961,150,000 (2017: RMB110,000,000) represented financial instruments placed by the Group to banks in the PRC for a term within one year. The contract guarantees principal and proceeds are related to the performance of the three-month LIBOR USD rate on the international market. Parts of the structured bank deposits amounted to RMB276,717,000 were redeemed subsequent to the end of the reporting period.

See note 2.2 for explanations regarding the changes in accounting policies and the reclassification to financial assets at FVPL following the adoption of HKFRS 9.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise:

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

- 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 measured at FVOCI

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Non-Current assets			
Listed equity investments	(a)	**572,770**	–
Unlisted equity investments	(b)	**2,963,628**	–
		3,536,398	–
Current assets			
Bills receivables	(c)	**1,365,791**	–
Unlisted equity investment		**2,665**	–
		1,368,456	–

(a) On 31 December 2018, the balance includes the Group's investments in 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）amounting to RMB12,298,000 (2017: RMB22,110,000), the investment in 16,962,000 shares of Riyue Heavy Industry Co., Ltd.（日月重工股份有限公司）amounting to RMB280,209,000 (2017: RMB380,794,000), and the investment in Class A ordinary shares, Class B ordinary shares and American Depository Shares ("**ADSs**") of Tuniu Corporation ("**Tuniu**") (TOUR. O. NASDAQ) amounting to RMB280,263,000 (2017: RMB153,733,000).

(b) 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. As at 31 December 2017, RMB2,000,000,000 had been paid up by the Group to the investment fund. The investment in Zheshang Fund had a fair value gain of RMB48,879,000 recognized in OCI for the year ended 31 December 2018 (2017: nil).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

(ii) Summary of financial assets measured at FVOCI *(continued)*

(b) *(continued)*

The remaining amount includes the unlisted equity investments with individual amount less than RMB500,000,000 and are held by the Group as non-current assets.

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

(iii) Financial assets previously classified as available-for-sale investments

	31 December 2017 RMB'000
Non-Current assets	
Listed equity investments	590,393
Unlisted equity investments	4,303,784
	4,894,177

See note 2.2 for explanations regarding the changes in accounting policies and the reclassification of certain investments from available-for-sale investments to financial assets at FVOCI following the adoption of HKFRS 9.

(iv) Financial assets previously classified as bills receivables measured at amortized cost

	31 December 2017 RMB'000
Bills receivables	1,895,179

28. FINANCIAL ASSETS AT AMORTIZED COST (EXCLUDING TRADE RECEIVABLES)

(i) Loans receivables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Loan to a related party (a)	**28,000**	–
Loans to third parties (b) – (h)	**2,635,975**	3,325,751
Less: impairment provision (note 3(iv)(b))	**(116,987)**	–
	2,546,988	3,325,751
For reporting purposes:		
Current portion	**2,484,263**	2,926,751
Non-current portion	**62,725**	399,000
	2,546,988	3,325,751

(a) The Company's subsidiary 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. The loan is unsecured, bears an interest at 9% per annum and is repayable in April 2019.

(b) The Company's subsidiary 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, with balance of RMB877,695,000 remained unsettled at 31 December 2018, which is secured and bears an interest at 9.48% per annum.

(c) The Company's subsidiary entered into agreements in June and September 2017, pursuant to which loans of RMB843,929,000 in aggregate were lent to an independent third party. Extension agreements have been entered into between both parties to extend the loan for one year. As at 31 December 2018, unsettled balance of RMB566,154,000 is secured, bears an interest at 14% per annum and is repayable in August 2019.

(d) The Company's subsidiary 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. As at 31 December 2018, unsettled balance of RMB399,000,000 is unsecured, bears an interest at 8.5% per annum and is repayable in June 2019.

(e) The Company's subsidiary entered into an agreement in June 2018, pursuant to which a loan of RMB161,500,000 was lent to an independent third party. The loan is secured, bears an interest at 8.4% per annum and is repayable in July 2019.

(f) The Company's subsidiary 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 2018, which is secured and bears an interest at 12% per annum.

28. FINANCIAL ASSETS AT AMORTIZED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(i) Loans receivables *(continued)*

(g) The Company's subsidiary 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 loan for one year. The loan is unsecured, bears interests from 4.90% to 5.44% per annum, and is repayable in December 2019.

(h) The remaining balance includes the loans to third parties with individual amount less than RMB100,000,000.

(ii) Consideration receivables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Consideration receivables	**419,574**	149,216
Less: impairment provision (note 3(iv)(b))	**(77,094)**	–
	342,480	149,216

The balance of RMB349,500,000 included in consideration receivables is unsettled consideration related to disposal of a joint venture, Five Seasons Cultural, which is detailed in note 23. The remaining balance is unsettled consideration 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）(“**An Rhonda**”) which is detailed in note 49.

(iii) Other receivables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Other receivables		
– Amounts due from third parties	**1,052,751**	1,167,092
– Amounts due from joint ventures	**15,125**	14,126
– Amounts due from associates	**95,917**	23,568
Less: impairment provision (note 3(iv)(b))	**(48,207)**	(16,470)
	1,115,586	1,188,316
For reporting purposes:		
Current portion	**988,205**	987,866
Non-current portion	**127,381**	200,450
	1,115,586	1,188,316

28. FINANCIAL ASSETS AT AMORTIZED COST (EXCLUDING TRADE RECEIVABLES) *(continued)*

(iv) Other financial assets at amortized cost

	31 December 2018 RMB'000	31 December 2017 RMB'000
Other financial assets at amortized cost		
– Amounts due from third parties (a)	967,327	583,174
– Amount due from other related party (b)	205,861	–
Less: impairment provision (note 3(iv)(b))	(72)	–
	1,173,116	583,174
For reporting purposes:		
Current portion	205,861	583,174
Non-current portion	967,255	–
	1,173,116	583,174

(a) The amount of RMB583,174,000 as at 31 December 2017 represented an advance made to an insurance company in the PRC with maturity in year 2018, which carried interest at a fixed rate of 6.33% per annum. The investment principal and interest were withdrawn in 2018 upon maturity.

During the year ended 31 December 2018, the Group purchased two financial products at the consideration of RMB500,000,000 and RMB450,000,000 respectively from the aforementioned insurance company, with interests of fixed rates at 6.50% and 5.80% respectively per annum, both with a 5-year maturity at year 2023. The interest and principal are repayable at the maturity date.

(b) On 26 April 2018, the Group acquired a corporate bond (which was issued by one of the Group's related parties in prior years) from an independent third party with the amount of RMB205,861,000.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
Current liabilities – forward contracts	(a)	–	95,489

(a) During the year ended 31 December 2017, the Group entered into several forward contracts with independent third parties to acquire three entities which holds in aggregate 4,104,137 Class A ordinary shares, 6,949,997 Class B ordinary shares and 5,618,635 ADSs of Tuniu at an aggregate consideration of US$90,254,000. As at 31 December 2017, the Group had the outstanding future contracts relating to the acquisition of two entities which holds in aggregate 4,104,137 Class A ordinary shares, 6,949,997 Class B Shares and 2,530,481 ADSs of Tuniu with consideration of US$62,152,000. These forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The Group determined the fair value of these forward contracts based on the quoted price of Tuniu ADSs on NASDAQ at 31 December 2017. During the year ended 31 December 2018, the Group has fulfilled all the obligations under these forward contracts and completed the acquisitions with fair value change of RMB34,498,000 recognized in loss (note 8).

30. INVENTORIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Raw materials	416,984	546,526
Work in progress	971,305	1,012,961
Finished goods	927,424	860,340
	2,315,713	2,419,827

31. TRADE AND BILLS RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade receivables*		
– Amounts due from third parties	5,152,978	5,316,940
– Amounts due from joint ventures	32,867	14,252
Bills receivables*	–	1,895,179
Less: impairment provision (note 3(iv)(a))	(551,567)	(576,098)
	4,634,278	6,650,273

* As at 31 December 2017, trade receivables included commercial acceptance notes amounting to RMB958,142,000. Bills receivable represented bank acceptance notes.

The ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and the date of issuance of the bills, net of impairment provision, is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	3,131,028	3,618,030
91 to 180 days	539,547	1,534,268
181 to 365 days	482,003	993,620
Over 365 days	481,700	504,355
	4,634,278	6,650,273

31. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in provision for impairment of trade and bills receivables are as follows:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Opening credit losses provision – HKAS 39	**(576,098)**	(475,970)
Changes in accounting policies (note 2.2.2)	**(69,029)**	–
Provision for credit losses recognized in profit or loss	**(45,409)**	(107,841)
Receivables written off during the year as uncollectible	**7,782**	541
Disposal of subsidiaries	**–**	7,172
Transferred to disposal group classified as held-for-sale	**131,187**	–
Closing expected credit losses provision as at 31 December	**(551,567)**	(576,098)

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 recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

Bills receivable endorsed to suppliers with full recourse are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount of transferred assets	**31,009**	176,747
Carrying amount of associated liabilities	**(31,009)**	(176,747)
Net position	**–**	–

32. PREPAYMENTS AND TAX PREPAID

(i) Tax prepaid

	31 December 2018 RMB'000	31 December 2017 RMB'000
Tax prepaid	88,155	10,213

(ii) Prepayments

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments for trading		
– Amounts due from third parties	533,546	596,026
– Amounts due from associates	40,322	–
Value-added tax recoverable	41,866	84,953
Prepayment for land lease	–	143,537
Prepayment for acquisition of property, plant and equipment	35,659	–
Prepayment for potential acquisitions	14,385	211,823
Impairment of prepayments (a)	(15,340)	(69,194)
	650,438	967,145
For reporting purposes:		
Current portion	614,779	823,608
Non-current portion	35,659	143,537
	650,438	967,145

The movements in provision for impairment of prepayments are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
At beginning of year	(69,194)	–
Impairment losses reversed/(recognized) during the year	3,573	(69,194)
Transferred to disposal group classified as held-for-sale	50,281	–
	(15,340)	(69,194)

(a) The impairment provision for prepayments as of 31 December 2018 and 2017 is related to suppliers in operating difficulties who can hardly fulfil their obligations as contracted. During the year ended 31 December 2018, amount of RMB3,573,000 is reversed as some of the suppliers in default begun to provide goods or services to fulfill their obligations.

33. PROPERTIES UNDER DEVELOPMENT

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
At the beginning of the year	**929,653**	1,471,003
Additions	**329,259**	750,922
Acquisition of subsidiaries (note 48)	**795,375**	322,825
Interest capitalized (note 12)	**24,287**	8,704
Disposal of subsidiaries	**–**	(59,467)
Transferred to properties held for sale	**(551,364)**	(1,564,334)
Transferred to property, plant and equipment (note 18)	**(515,822)**	–
Transferred to prepaid land lease payment (note 20)	**(78,551)**	–
At the end of the year	**932,837**	929,653

	31 December 2018 RMB'000	31 December 2017 RMB'000
Represented by:		
Land use rights	**383,472**	142,207
Construction costs and capitalized expenditure	**549,365**	787,446
	932,837	929,653

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 RMB677,594,000 (2017: RMB19,319,000) as at 31 December 2018 is expected not to be realised within the next twelve months from the end of the reporting period.

As at 31 December 2018, properties under development with carrying amount of RMB930,841,000 (2017: RMB95,525,000) were pledged as collateral for the Group's borrowings and facilities (note 52).

34. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated on leasehold land in the PRC. All the properties held for sale are stated at cost.

35. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and bank balances	**5,475,971**	8,332,171
Less: restricted cash		
– Pledged bank deposit	**(2,929,985)**	(2,894,031)
– Restricted bank deposit	**(9,185)**	(216,461)
	(2,939,170)	(3,110,492)
Cash and cash equivalents	**2,536,801**	5,221,679

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB5,207,990,000 (2017: RMB6,436,317,000). The 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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposit 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. 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 agreements ("**the Bundle Transaction**") with an independent third party to dispose of its entire equity interests of ten subsidiaries and four associates ("**Disposal Group**") for an aggregate cash consideration of RMB299,432,000. As at 31 December 2018, the Bundle Transaction was not completed and is estimated to be completed in 2019.

36. ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE *(continued)*

(ii) Assets and liabilities of the Disposal Group classified as held-for-sale

	31 December 2018 RMB'000
Assets	
Property, plant and equipment (note 18)	629,272
Prepaid land lease payments (note 20)	182,340
Goodwill (note 21)	2,991
Investments in associates (note 24)	60,886
Other intangible assets (note 22)	3,689
Financial assets at fair value through other comprehensive income	33,113
Deferred tax assets (note 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 (note 42)	64,100
	541,799

37. TRADE AND BILLS PAYABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade payables		
– Amount due to third parties	**1,990,927**	2,028,681
– Amounts due to joint ventures	**456**	–
– Amounts due to associates	**1,603**	1,605
– Amounts due to other related parties	**–**	2,757
Bills payables	**4,526,958**	4,781,908
	6,519,944	6,814,951

37. TRADE AND BILLS PAYABLES *(continued)*

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**2,655,984**	5,169,819
91 to 180 days	**2,713,380**	609,473
181 to 365 days	**998,173**	796,492
Over 365 days	**152,407**	239,167
	6,519,944	6,814,951

Included in the trade and bills payables are trade payables of RMB1,603,000 (2017: RMB5,325,000) due to associates and RMB456,000 (2017: RMB178,000) due to joint ventures which are repayable within 90 days, which represents credit terms similar to those offered by the associates or joint ventures to their major customers.

The trade payables are non-interest bearing and are normally settled on terms of 90 to 180 days.

38. OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Accruals	**1,049,345**	996,413
Amounts due to joint ventures	**30,000**	30,000
Amounts due to associates	**1,081**	1,350
Other tax payables	**70,470**	124,983
Other payables	**630,637**	741,030
Refundable deposit received (a)	**1,000,000**	–
Payroll and welfare payables	**186,093**	176,199
Liability arising from financial guarantee contracts (note 50 (iii))	**20,555**	11,108
Payables for purchase of property, plant and equipment	**189,313**	122,284
	3,177,494	2,203,367

(a) On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) ("**Five Seasons XVI**") and Mr. Ji entered into a non-legally binding memorandum of understanding ("**MOU**") with an independent third party, Neoglory Prosperity Inc.（新光圓成股份有限公司）, a PRC company listed on SZSE (002147.SZSE) ("**Potential Offeror**"), respectively, 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 principal 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**").

38. OTHER PAYABLES AND ACCRUALS *(continued)*

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, "**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 2018, the deposit received has yet to be refunded.

All the amounts due to joint ventures and associates, other tax payables and payables for purchase of property, plant and equipment are unsecured, interest-free and repayable within 180 days. Financial liability included in other payables are unsecured, non-interest bearing and repayable on demand.

39. BANK AND OTHER BORROWINGS

	31 December 2018		31 December 2017	
	Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000
Secured				
– Bank loans	1,559,299	1,723,138	1,348,015	1,592,712
– Loan from other financial institutions	566,886	574,689	–	501,000
– Other third party loans	97,009	255,000	–	165,000
Total secured borrowings	2,223,194	2,552,827	1,348,015	2,258,712
Unsecured				
– Bank loans	3,195,367	–	4,250,763	–
– Loan from related parties	492,794	891,485	811,697	–
– Medium-term notes	500,000	–	500,000	500,000
– Loan from other financial institutions	–	–	–	–
– Other third party loans	608,751	–	1,778,320	604,934
Total unsecured borrowings	4,796,912	891,485	7,340,780	1,104,934
	7,020,106	3,444,312	8,688,795	3,363,646

Bank and other borrowings carry interest ranging from 0% to 9.21% (2017: 0% to 8.50%) per annum.

39. BANK AND OTHER BORROWINGS *(continued)*

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
RMB	**7,280,882**	9,668,367
US$	**2,023,741**	1,409,557
HK$	**647,237**	784,219
EUR	**269,084**	190,298
AUD	**243,474**	–
	10,464,418	12,052,441

Bank and other borrowings are repayable as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year or on demand	**7,020,106**	8,688,795
Between one and two years	**1,152,269**	1,964,084
Between two and five years	**1,731,923**	786,125
Over five years	**560,120**	613,437
	10,464,418	12,052,441

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

(i) the mortgages over the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of RMB3,800,000,000 (2017: RMB3,599,360,000) (note 19);

(ii) the mortgages over the Group's properties under development, which had an aggregate carrying value of approximately RMB135,466,000 at 31 December 2018 (2017: RMB95,525,000) (note 33);

(iii) the pledge of certain of the Group's bank deposits amounting to RMB2,929,985,000 (2017: RMB2,894,031,000) (note 35);

(iv) the pledge of certain of the Group's trade and bills receivables amounting to RMB905,550,000 (2017: RMB977,986,000);

(v) the pledge of the Group's property, plant and equipment amounting to RMB1,114,262,000 (2017: RMB176,106,000) (note 18);

(vi) the pledge of the Group's prepaid land lease payments amounting to RMB128,756,000 (2017: RMB58,170,000) (note 20);

(vii) the pledge of the Group's 100% (2017: 36%) equity interests in CHS, a subsidiary of the Group.

In addition, bank loans of RMB2,146,924,000 and RMB500,000,000 as at 31 December 2018 were guaranteed by Mr. Ji and jointly guaranteed by both a close family member of Mr. Ji and Mr. Ji, respectively.

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) carrying interest at 7% per annum, before direct issue cost of RMB1,262,000. The effective interest rate as at 31 December 2018 is 9.60 % (2017: 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 and RMB1,020,000,000, carrying interest at 6.47% and 6.50% per annum, respectively, before direct issue cost of RMB7,982,000, in aggregate. The effective interest rates as at 31 December 2018 are 6.59% and 6.62% (2017: 6.59% and 6.62%), respectively.

In January 2018, the Group issued a five-year annual coupon corporate bond ("**2018 CB**") with principal amounts of RMB500,000,000 carrying interest at 7.50% per annum, before direct issue cost of RMB2,425,000. The effective interest rate as at 31 December 2018 is 7.62%.

	2014 CB RMB'000	2017 CB RMB'000	**2018 CB RMB'000**	Total RMB'000
As at 1 January 2017	8,439	–	**–**	8,439
Issued	–	1,912,018	**–**	1,912,018
Imputed interest (note 12)	834	76,507	**–**	77,341
Interest paid	(631)	–	**–**	(631)
Exchange difference	(621)	–	**–**	(621)
As at 31 December 2017	8,021	1,988,525	**–**	1,996,546
As 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 difference	383	–	**–**	383
As at 31 December 2018	8,620	1,990,224	**535,491**	2,534,335

	31 December 2018 RMB'000	31 December 2017 RMB'000
Analysed as:		
Current liabilities (included in other payables and accruals)	**114,250**	76,558
Non-current liabilities	**2,420,085**	1,919,988
	2,534,335	1,996,546

41. WARRANTY PROVISION

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
At 1 January	120,664	104,197
Additional provision	150,500	84,938
Disposal of subsidiaries	–	(4,005)
Amounts utilized during the year	(108,263)	(64,466)
At 31 December	162,901	120,664
For reporting purposes:		
Current portion	90,373	120,664
Non-current portion	72,528	–
	162,901	120,664

42. DEFERRED TAX

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated balance sheet. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets	383,594	294,954
Deferred tax liabilities	(1,528,033)	(2,119,643)
Net deferred tax liabilities	(1,144,439)	(1,824,689)

42. DEFERRED TAX *(continued)*

(i) Details of the deferred tax assets recognized in the consolidated balance sheet and movements during the year are as follows:

	Tax losses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Write-down of inventories RMB'000	Impairment of receivables RMB'000	Other payables and accrued expenses RMB'000	Deferred income arising from land resumption 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 (note 48)	–	–	–	7,430	–	–	–	–	7,430
Transferred to disposal group classified as held-for-sale (note 36)	–	–	(1,278)	(850)	–	–	–	(212)	(2,340)
Deferred tax credited/(charged) to profit or loss	6,978	–	(1,854)	41,379	(716)	–	(144)	(10,874)	34,769
Deferred tax charged to OCI	–	–	–	–	–	–	–	(2,471)	(2,471)
Exchange realignment	(118)	–	–	–	(295)	–	–	–	(413)
Gross deferred tax assets at 31 December 2018	44,530	–	51,163	175,876	43,766	–	106,244	20,121	441,700

	Tax losses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Write-down of inventories RMB'000	Impairment of receivables RMB'000	Other payables and accrued expenses RMB'000	Deferred income arising from land resumption RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	13,354	2,938	46,975	65,966	47,270	27,109	45,883	2,608	252,103
Acquisition of subsidiaries	3,869	–	–	–	–	–	–	–	3,869
Disposal of subsidiaries	–	–	–	(5,089)	(9,627)	–	–	(111)	(14,827)
Deferred tax credited/(charged) to profit or loss	20,447	(2,938)	7,320	8,120	6,796	(27,109)	60,505	31,181	104,322
Exchange realignment	–	–	–	–	338	–	–	–	338
Gross deferred tax assets at 31 December 2017	37,670	–	54,295	68,997	44,777	–	106,388	33,678	345,805

The Group has tax losses of RMB1,187,190,000 (2017: RMB1,636,119,000) arising from Mainland China that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of the losses of RMB1,010,278,000 (2017: RMB1,505,007,000) 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 utilized.

42. DEFERRED TAX *(continued)*

(ii) Details of the deferred tax liabilities recognized in the balance sheet and movements during the year 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 (note 2.2.1)	–	–	25,900	–	–	–	25,900
Acquisition of subsidiaries (note 48)	30,219	–	–	–	–	–	30,219
Disposal of subsidiaries (note 49)	(13,215)	–	–	–	–	–	(13,215)
Transferred to disposal group classified as held-for-sale (note 36)	–	–	(64,100)	–	–	–	(64,100)
Deferred tax (credited)/charged to profit or loss	(50,679)	52,845	(597,548)	(11,582)	(474)	600	(606,838)
Deferred tax charged to OCI	–	–	(9,892)	–	–	–	(9,892)
Exchange realignment	309	–	53,262	–	–	–	53,571
Gross deferred tax liabilities at 31 December 2018	434,707	539,544	510,725	93,477	(474)	8,160	1,586,139

	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 2017	589,037	354,207	910,218	59,194	14,708	4,765	1,932,129
Acquisition of subsidiaries	22,344	–	–	–	–	–	22,344
Disposal of subsidiaries	(21,276)	(331)	–	–	(3,280)	–	(24,887)
Deferred tax (credited)/charged to profit or loss	(122,032)	132,823	342,303	45,865	(11,428)	2,795	390,326
Deferred tax charged to OCI	–	–	(85,689)	–	–	–	(85,689)
Exchange realignment	–	–	(63,729)	–	–	–	(63,729)
Gross deferred tax liabilities at 31 December 2017	468,073	486,699	1,103,103	105,059	–	7,560	2,170,494

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 Mainland China. 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 Mainland China 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 Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings of RMB9,046,637,000 as at 31 December 2018 (31 December 2017: RMB8,532,761,000) that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

43. SHARE CAPITAL

	31 December 2018 RMB'000	31 December 2017 RMB'000
Authorized:		
40,000,000,000 (2017: 40,000,000,000) ordinary shares of HK$0.01 each	**314,492**	314,492

	31 December 2018 RMB'000	31 December 2017 RMB'000
Issued and fully paid:		
19,729,061,731 (2017: 19,729,061,731) ordinary shares of HK$0.01 each	**161,084**	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 2017, 31 December 2017 and 31 December 2018	19,729,061,731	161,084

There were no changes on the Company's share capital in the year ended 31 December 2017 and 2018.

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 current 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;

44. SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES *(continued)*

(i) Share options scheme *(continued)*

- 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 authorized 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. 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. A total of 446,400 share options were lapsed according to the terms of the Share Option Scheme during the period from the date of grant to 31 December 2018. As at 31 December 2018, there was 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 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.

(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.

44. SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEMES *(continued)*

(ii) Share award scheme *(continued)*

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 221,200 Award Shares were lapsed according to the terms of the Share Award Scheme during the period from the date of grant to 31 December 2018. As at 31 December 2018, there was 17,300,200 outstanding unvested award shares.

As at 31 December 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:

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Number of shares	**Employee share trust reserve RMB'000**	Number of shares	Employee share trust reserve RMB'000
At 1 January	**–**	**–**	–	–
Acquisition of shares by the trustee	**17,521,400**	**35,258**	–	–
At 31 December	**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.

45. RESERVES *(continued)*

(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 utilized 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.

(iv) 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 capitalized, 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:

	31 December 2018	31 December 2017
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	**3,153,046**	3,225,773

	For the year ended 31 December 2018	For the year ended 31 December 2017
Total comprehensive loss for the year allocated to non-controlling interests:		
CHS	**(11,955)**	(184,675)

46. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following table illustrates the summarized financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CHS

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**8,509,022**	8,241,914
Total expenses	**(8,486,976)**	(8,403,168)
Profit/(loss) for the year	**22,046**	(161,254)
Total comprehensive loss for the year	**(37,626)**	(423,858)
Net cash flows from operating activities	**555,730**	2,202,723
Net cash flows used in investing activities	**(1,376,874)**	(1,634,817)
Net cash flows (used in)/from financing activities	**(1,142,595)**	717,480
Net (decrease)/increase in cash and cash equivalents	**(1,963,739)**	1,285,386

	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets of disposal group classified as held-for-sale	**1,401,181**	–
Other current assets	**16,660,445**	18,025,845
Non-current assets	**10,068,378**	11,135,346
Liabilities of disposal group classified as held-for-sale	**(541,799)**	–
Other current liabilities	**(12,581,488)**	(13,441,242)
Non-current liabilities	**(3,029,332)**	(3,447,738)

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Cash generated from operations

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(3,542,028)**	3,112,891
Adjustments for:			
Finance costs	12	**948,747**	731,051
Share of result of joint ventures and associates	23/24	**7,958**	(218,872)
Gain on a bargain purchase recognized in acquisition of subsidiaries	10	**(7,667)**	(38,038)
Interest income	9	**(542,472)**	(288,019)
Loss/(gain) on disposal of items of property, plant and equipment	10	**1,346**	(833)
Gain on disposal of subsidiaries	10	**(95,476)**	(364,534)
Gain on disposal of a joint venture	10	**(248)**	–
Loss on disposal of associates	10	**583**	128,151
Gain on disposal of available-for-sale investments		**–**	(3,666)
Dividend income	9	**(146,919)**	(120,902)
Fair value changes in financial instruments	8	**3,555,856**	(1,907,073)
Fair value change in investment properties	19	**(103,997)**	(92,932)
Fair value change of properties held for sale transferred to investment properties	19	**–**	(416,137)
Depreciation	18	**606,774**	668,403
Provision for financial assets	3(iv)	**161,281**	124,311
Impairment of other intangible assets	10	**–**	63,409
Impairment of property, plant and equipment	10	**–**	189,279
Impairment of investments in associates	24	**–**	94,000
Impairment of goodwill	10	**30,232**	14,883
Provision for inventories	11	**30,064**	138,054
Release of prepaid land lease payments	20	**32,374**	28,753
Amortisation of other intangible assets	22	**85,949**	122,778
Amortisation of deferred income		**(32,495)**	(7,538)
(Reversal)/provision of prepayment impairment loss	32(ii)	**(3,573)**	69,194
Exchange (gains)/loss		**(38,229)**	80,779
Gain from land resumption	10	**–**	(86,754)
Operating cash inflows before movement in working capital		**948,060**	2,020,638

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(i) Cash generated from operations *(continued)*

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Increase in properties under development	33	**(329,259)**	(750,922)
Decrease in properties held for sale		**271,721**	953,688
Increase in inventories		**(251,273)**	(414,304)
Increase in financial assets at fair value through profit or loss		**–**	(13,569)
Decrease/(increase) in restricted bank deposit		**207,276**	(216,461)
Increase in trade and bills receivables, other receivables and prepayments		**(191,942)**	564,504
(Decrease)/Increase in trade and bills payables, other payables and accruals and contract liabilities		**(293,478)**	319,078
Increase in deferred income		**34,312**	9,133
Increase in provision for product warranties		**42,237**	20,472
Cash generated from operations		**437,654**	2,492,257

(ii) Non-cash investing and financing activities disclosed in other notes are:

- Disposal of joint venture – note 23

(iii) Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	Corporate bonds RMB'000
At 1 January 2018	**12,052,441**	1,919,988
Changes from financing cash flows	**(1,390,189)**	497,575
Transfer creditor's rights of disposal subsidiaries	**(645,000)**	–
Deemed contribution from shareholders	**(98,940)**	–
Foreign exchange movement	**77,632**	435
Interest expense	**62,285**	2,087
Decrease arising from disposal of subsidiaries	**(3,844)**	–
Increase arising from acquisitions of subsidiaries	**591,158**	–
Transferred to disposal group classified as held-for-sale (note 36)	**(181,125)**	–
At 31 December 2018	**10,464,418**	2,420,085

48. ACQUISITION OF SUBSIDIARIES

On 17 September 2018 and 19 November 2018, the Group acquired the entire equity interests in three early learning service centers, including Jacobs Ridge Childcare Centre Pty Ltd, Pacific Pines Childcare Centre Pty Ltd and Currimundi Childcare & Education Centre (collectively referred to as "**Early Learning**"), from three independent third parties at an aggregate cash consideration of AU$7,989,000 (equivalent to RMB38,757,000).

On 4 September 2018, the Group acquired the entire equity interests in BaoQiao Partners Securities (HK) Limited ("**BaoQiao Securities**") from an independent third party at a cash consideration of HK$21,500,000 (equivalent to approximately RMB18,881,000). BaoQiao Securities is principally engaged in dealing in securities (Type 1 regulated activity under the Securities and Futures Ordinance). At the date of acquisition, BaoQiao Securities was inactive and only held the security dealing license and cash and cash equivalents.

On 13 June 2018, the Group entered into an agreement with an independent third party to acquire its 65% equity interests 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**"), a group engaged in property development in the PRC, at cash consideration of approximately RMB80,000,000. The acquisition was completed on 31 August 2018.

On 30 November 2018, the Group acquired 100% equity interest in Jiangsu green lighting Engineering Co., Ltd. (江蘇綠色照明工程有限公司) ("**Jiangsu Green**") from an independent third party with a consideration of RMB19,600,000.

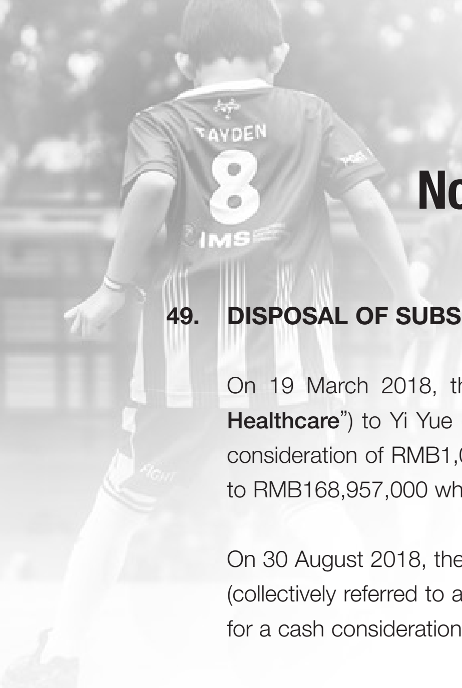
48. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair values of the identifiable assets and liabilities of acquisition were as follows:

	Early Learning RMB'000	BaoQiao Securities RMB'000	Ma'anshan Group RMB'000	Jiangsu Green RMB'000	Total RMB'000
Inventories	–	–	–	12,346	12,346
Trade receivables	–	–	–	6,863	6,863
Prepayments	–	–	7,715	1,644	9,359
Other receivables	325	400	20,007	6,508	27,240
Properties under development	–	–	795,375	–	795,375
Cash and cash equivalents	506	8,518	463	4,436	13,923
Property, plant and equipment	–	–	89	858	947
Other intangible asset	–	10,099	–	–	10,099
Deferred tax assets	–	–	7,430	–	7,430
Trade and bills payables	(123)	–	(37,443)	(3,318)	(40,884)
Other payables and accruals	(3,613)	(136)	(37,363)	(1,988)	(43,100)
Bank and other borrowings	–	–	(591,158)	–	(591,158)
Contract liabilities	(23)	–	(24)	(8,021)	(8,068)
Deferred tax liabilities	–	–	(30,219)	–	(30,219)
Identifiable net (liabilities)/assets acquired	(2,928)	18,881	134,872	19,328	170,153
Less: non-controlling interest	–	–	(47,205)	–	(47,205)
Add: goodwill arising on acquisition	41,685	–	–	272	41,957
Net assets acquired	38,757	18,881	87,667	19,600	164,905
Total consideration settled by cash	38,757	18,881	80,000	19,600	157,238
Gain on a bargain purchase recognized in acquisition (note 10)	–	–	(7,667)	–	(7,667)
Analysis of cash flows on acquisition:					
Cash consideration	(38,757)	(18,881)	(80,000)	(19,600)	(157,238)
Cash acquired with the subsidiaries	506	8,518	463	4,436	13,923
Net cash outflow on acquisition	(38,251)	(10,363)	(79,537)	(15,164)	(143,315)

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 recognized 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. In the opinion of the directors, the gain on a bargain purchase recognized is mainly attributable to the immediate cash realization and business risk mitigation opportunity offered to the vendor. The non-controlling interest recognized at the acquisition date was measured at their proportionate share of net assets acquired.

From the date of acquisition, these acquisitions have contributed RMB13,460,100 to the Group's revenue and net loss of RMB7,520,000 to the Group for the year ended 31 December 2018. 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 2018 would have been RMB10,345,215,000 and RMB3,082,585,000, respectively.



49. DISPOSAL OF SUBSIDIARIES

On 19 March 2018, the Group disposed of its entire equity interest in Fullshare Healthcare Limited ("**Fullshare Healthcare**") to Yi Yue (Hong Kong) Limited（益悦（香港）有限公司）("**Yi Yue**"), an independent third party, for a cash consideration of RMB1,093,000. In addition, Yi Yue agreed to assume the shareholder's loan with an amount equivalent to RMB168,957,000 which was previously advanced by the Company to Fullshare Healthcare.

On 30 August 2018, the Group disposed of its 51% equity interests in Five Seasons IX and its wholly-owned subsidiaries (collectively referred to as "**Five Season IX**") to Infinity Heroes Limited（無限英雄有限公司）, an independent third party for a cash consideration of RMB527,000.

On 19 May 2017, the Company's subsidiary, Nanjing High Accurate sets up a wholly-owned subsidiary An Rhonda with a capital contribution obligation to transfer the land use right and properties. On 28 September 2017, the Group entered into an agreement to transfer 30% equity interests in An Rhonda to an independent third party at cash consideration of RMB76,074,000. As at 31 December 2017, Nanjing High Accurate had not completed its capital contribution obligation and An Rhonda was inactive. In December 2018, the disposal of An Rhonda was completed and An Rhonda became a joint venture of the Group according to the shareholders' agreement.

On 19 July 2018, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire 75% equity interests in CHSTE (Beijing) Shougao Metallurgic Engineering & Equipment Co., Ltd.（北京中傳首高冶金成套設備有限公司）("**Beijing Shougao**") for a cash consideration of nominal amount RMB1. The disposal was completed on 30 November 2018.

49. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	Fullshare Healthcare RMB'000	Five Seasons IX RMB'000	An Rhonda RMB'000	Beijing Shougao RMB'000	Total RMB'000
Net assets disposed of comprise:					
– Investment in an associate (note 24)	170,000	–	–	–	170,000
– Property, plant and equipment (note 18)	–	19,783	116,606	3,664	140,053
– Prepaid land lease payments (note 20)	–	–	114,163	–	114,163
– Other intangible assets (note 22)	–	7,954	–	3,591	11,545
– Inventories	–	–	–	90,338	90,338
– Trade receivables	–	599	–	106,542	107,141
– Other receivables	–	1,680	–	–	1,680
– Cash and cash equivalents	41	456	–	2,972	3,469
– Trade and bills payables	–	(41)	–	(101,286)	(101,327)
– Other payables and accruals	(163,690)	(86,658)	–	(51,987)	(302,335)
– Contract liabilities	–	(3,844)	–	(72,480)	(76,324)
– Bank and other borrowings	–	(38,073)	–	–	(38,073)
– Taxation payable	–	(3,411)	–	–	(3,411)
– Deferred tax liabilities (note 42)	–	(1,478)	(11,737)	–	(13,215)
– Non-controlling interests	–	50,486	–	5,534	56,020
Net assets/(liabilities) disposed of	6,351	(52,547)	219,032	(13,112)	159,724
Cash consideration	1,093	527	76,074	–	77,694
Recognition of a joint venture (note 23)	–	–	177,506	–	177,506
	1,093	527	253,580	–	255,200
(Loss)/gain on disposal of subsidiaries (note 10)	(5,258)	53,074	34,548	13,112	95,476
Analysis of cash flows on disposal:					
Cash consideration	1,093	527	76,074	–	77,694
Cash and cash equivalents disposed of	(41)	(456)	–	(2,972)	(3,469)
Unsettled consideration (note 28(ii))	–	–	(70,074)	–	(70,074)
Deposit received in previous period (included in other payables)	–	–	(6,000)	–	(6,000)
Net cash inflow/(outflow) on disposal:	1,052	71	–	(2,972)	(1,849)

50. CONTINGENT LIABILITIES

As at 31 December 2018, contingent liabilities not provided for in the consolidated financial statements were as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to banks in connection with mortgage facilities (i)	**872,792**	1,418,901

(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 by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(ii) On 7 July 2017, the Group entered into facility agreement with a bank and its joint venture, Five Seasons XXII Pte. Ltd. ("**Five Seasons XXII SG**") to provide guarantee to its Five Seasons XXII SG for its obligation of maintaining minimum interest reserve balance required by all finance documents relevant to the facility arrangement ("**Relevant Obligation**") in favor of the bank facility of SGD434,621,000 (equivalent to RMB2,185,605,000) granted for the purpose of acquisition of entire issued and paid-up relevant share capital of Plaza Venture Pte. Ltd.. In the event of Five Seasons XXII SG not paying the Relevant Obligation, the Group would be liable for the Relevant Obligation. In the opinion of the directors, based on the repayment history and relevant financial information, the possibility of the default or inability of discharging the Relevant Obligation is remote. Accordingly, no provision for the obligation due to above guarantee has been made in the Group's consolidated financial statements at the end of the reporting period.

(iii) As at 31 December 2018, the Group also provided financial guarantees to two associates (2017: two) and a third party (2017: a former subsidiary) in favor of bank loans of RMB751,360,000 (2017: RMB740,000,000) and RMB410,000,000 (2017: RMB73,200,000), respectively. This amount represented the balance 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 RMB20,555,000 (2017: RMB11,108,000) has been recognized in the consolidated balance sheet as liabilities.

51. COMMITMENTS

(i) Operating lease arrangement

(a) Group – As lessor

The Group leases its investment properties (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 then prevailing market conditions.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**267,400**	116,945
In the second to fifth years, inclusive	**461,291**	200,889
After five years	**115,621**	146,464
	844,312	464,298

(b) Group – As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years, and those for office equipment are for terms ranging between two and five years.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**48,477**	33,230
In the second to fifth years, inclusive	**200,442**	115,639
After five years	**78,369**	121,175
	327,288	270,044

51. COMMITMENTS *(continued)*

(ii) Capital commitment

In addition to the operating lease commitments detailed in note 51(i) above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
– Properties under development	**39,884**	492,202
– Land and buildings	**–**	62,400
– Plant and machinery	**290,208**	238,758
– Capital contributions payable to an associate	**54,542**	1,391,110
– Capital contributions payable to a joint venture	**36,443**	–
– Investment in available-for-sale investments	**–**	635,000
	421,077	2,819,470

(iii) Other commitment

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 consolidated financial statements, the Fund has completed the acquisition from the shareholders of Shanghai Joyu and capital injection in Shanghai Joyu and currently holds approximately 26.33% interests in Shanghai Joyu.

52. 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 person as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Properties under development (note 33)	**930,841**	95,525
Investment properties (note 19)	**3,800,000**	3,599,360
Property, plant and equipment (note 18)	**1,114,262**	171,016
Trade and bills receivables	**905,550**	977,986
Prepaid land lease payments (note 20)	**128,756**	58,170
Available-for-sale investments	**–**	200,000
Financial assets at fair value through other comprehensive income	**446,784**	–
Financial assets at fair value through profit or loss	**1,649,484**	–
Pledged bank deposits (note 35)	**2,929,985**	2,894,031
	11,905,662	7,996,088

Details of the Group's bank and other borrowings which are secured by the assets of the Group are included in note 39 to the consolidated financial statements.

53. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CHS	Cayman Islands/PRC	US$16,352,916	–	74	Manufacture and sale of gear products
Rich Unicorn Holdings Limited	BVI	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)	PRC	RMB300,000,000	–	100	Real estate development and investment
Nanjing Deying Property Limited (南京德盈置業有限公司) ("**Nanjing Deying**")	PRC	RMB465,200,980	–	100	Property investment
Five Seasons VI Pty Limited	Australia	AU$100	–	100	Tourism
Sparrow Early Learning Pty Limited	Australia	AU$51,871,919	–	97	Education service

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.

54. 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

	Notes	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Associates:			
– Rental income and other charges	(a)	**1,648**	706
– Purchases of products	(b)	**28,188**	104,194
– Loan lent	(d)	**28,000**	40,478
– Receipt of loan lent		**–**	273,959
– Interest income	(d)	**1,803**	14,500
Joint ventures:			
– Other charges	(a)	**4,507**	497
– Purchases of products	(b)	**–**	7,887
– Sales of products	(c)	**52,585**	10,997
– Loan lent		**–**	210,574
– Receipt of loan lent		**–**	213,000
– Interest income		**–**	2,426
– Loan received	(e)	**–**	1,020,558
– Repayment of loan received	(e)	**854,825**	–
– Interest expense	(e)	**25,371**	–
The Group's controlling shareholder and his close family member			
– Sales of properties		**–**	13,727
The associates of the Group's ultimate controlling shareholder:			
– Green building design and consultancy service income	(f)	**18,491**	13,764
– Purchases of services	(f)	**6,840**	221,669
The subsidiaries of the Group's ultimate controlling shareholder:			
– Management service income	(f)	**6,567**	5,352
The Group's controlling shareholder:			
– Loan received	(g)	**715,705**	913,920
– Repayment of loan received	(g)	**295,952**	121,160
– Interest expense	(g)	**18,843**	–

54. RELATED PARTY TRANSACTIONS *(continued)*

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

(a) 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.

(b) 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.

(c) The sales to the 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.

(d) The Group entered into a loan agreement with Jiansheng to lend RMB28,000,000 in April 2018. As at 31 December 2018, the principal amount of RMB28,000,000 (note 28) and interest income of RMB1,803,000 during the year 31 December 2018 have not been received.

(e) 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. As of 31 December 2018, the Group has repaid US$26,869,500 (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).

(f) 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.

(g) The Group entered into several loan agreements with Magnolia during the year ended 31 December 2018. As of 31 December 2018, current amounts due to Magnolia are interest-free. Non-current amounts due to Magnolia as at the reporting period bear a nominal interest rate at 4.75% per annum, whereby deemed shareholder contribution of RMB98,940,000 were recognised in “other reserve”.

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.

(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.

54. RELATED PARTY TRANSACTIONS *(continued)*

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

(a) As at 31 December 2018, the Group has provided guarantees to Nanjing Jiangong Industrial Group Co., Ltd. (南京建工產業集團有限公司) ("**Nanjing Jiangong Industrial**", formerly known as Nanjing Fullshare Industrial Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)) 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 and Nanjing Jiangong Industrial undertook that it would provide a loan to the Company with substantially the same commercial terms as the loan agreement or pledge assets with equivalent value to the Company.

As at 31 December 2018, the Company had loan balances with the amount of 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) On 26 September 2018, the Group and Nanjing Jiangong Industrial entered into a loan agreement, pursuant to which, Nanjing Jiangong Industrial agreed to provide a loan in the amount of RMB970,000,000 to the Group under the condition that, pledge documents including certain real estate and equity interests of the Group's subsidiaries, guarantee letters in regards to joint liabilities declaration and the account charge agreements (collectively referred to as "**security documents**") were entered into with a third party, Jiangsu Branch of China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司江蘇省分公司) ("**China Orient Asset**"). Additionally, the Group has requested Mr. Ji and a third party, Nanjing Longjin Property Development Co., Ltd. (南京龍津房地產開發有限公司) ("**Nanjing Longjin**") to provide counter-guarantees in respect of the Group's liabilities under security documents on 30 September 2018. As of 31 December 2018, the Group has yet to receive the principal amount of RMB970,000,000 under the loan agreement with Nanjing Jiangong while the security documents have been completed. In the opinion of the directors, counter-guarantees provided by Mr. Ji and Nanjing Longjin shall indemnify against any liabilities arising out of security documents. 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. Up to the date of approval of these consolidated financial statements, the Group has entered into an agreement to dispose of its subsidiaries associated with the above security documents to a third party, refer to events after the reporting period (note 56) for further details.

(c) Refer to note 50(ii) and (iii) for the further details of the Group's guarantees in relation to the banking facility and loan agreements of related parties.

54. RELATED PARTY TRANSACTIONS *(continued)*

(iv) Compensation of key management personnel of the Group:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Short term employee benefits	**19,030**	20,439
Post-employment benefits	**441**	220
Total compensation paid to key management personnel	**19,471**	20,659

The number of key management personnel whose remuneration fell within the following bands is as follows:

	Number of employees	
	31 December 2018 RMB'000	31 December 2017 RMB'000
HK$1 to HK$500,000	**1**	1
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	3
HK$2,500,001 to HK$3,000,000	**1**	2
HK$3,000,001 to HK$3,500,000	**1**	2
HK$3,500,001 to HK$4,000,000	**3**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	9	9

Further details of directors' and chief executives' emoluments are included in note 13 to the consolidated financial statements.

55. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(i) Balance sheet of the Company

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-Current Assets		
Property, plant and equipment	826	1,618
Investments in subsidiaries	2,206,948	2,120,836
	2,207,774	2,122,454
Current Assets		
Amounts due from subsidiaries	16,287,680	15,500,382
Prepayments	26,850	19,621
Cash and cash equivalents	85,287	34,497
	16,399,817	15,554,500
Total assets	18,607,591	17,676,954
Non-Current Liabilities		
Corporate bonds	8,620	7,970
Bank and other borrowings	1,031,673	–
Deferred tax liabilities	44,390	44,390
	1,084,683	52,360
Current Liabilities		
Amounts due to subsidiaries	–	85,478
Other payables and accruals	98,131	24,449
Bank and other borrowings	860,443	1,137,670
Taxation payable	–	4,088
	958,574	1,251,685
Total liabilities	2,043,257	1,304,045
EQUITY		
Share capital	161,084	161,084
Reserves	16,403,250	16,211,825
Total equity	16,564,334	16,372,909
Total liabilities and equity	18,607,591	17,676,954

55. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(ii) Reserve movement 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	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	422,833	17,787,077	82,603	–	(907,913)	318,952	17,703,552
Final 2016 dividend declared	–	(295,936)	–	–	–	–	(295,936)
Total comprehensive loss for the year	–	–	–	–	–	(1,195,791)	(1,195,791)
At 31 December 2017	422,833	17,491,141	82,603	–	(907,913)	(876,839)	16,211,825
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	422,833	17,195,205	82,603	(35,258)	(808,973)	(453,160)	16,403,250

56. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2019, the Group entered into an agreement with an dependent third party to dispose of its 65% equity interests in Ma'anshan Group and the then related shareholder loan at a consideration of RMB80,000,000 and RMB423,673,000, respectively. At the date of approval of the consolidated financial statements, the Group has received RMB80,000,000 and RMB160,000,000 for consideration of equity interests and shareholder loan, respectively, and has yet to register for the title change and release the equity pledge under the security documents (note 54).

57. COMPARATIVE AMOUNTS

During the year, certain comparative figures in respect of the year ended 31 December 2017 have been reclassified and re-presented to conform with the current year's presentation.

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				
	2014 RMB'000 (Restated) (note 4)	2015 RMB'000 (Restated) (note 3)	2016 RMB'000 (Restated) (note 2)	2017 RMB'000 (note 1)	**2018** **RMB'000** (note 1)
RESULTS					
Revenue	793,403	3,095,611	4,311,423	11,026,457	**10,288,651**
(Loss)/profit before tax	(1,005,262)	1,446,352	3,743,202	3,112,891	**(3,542,028)**
Income tax (expense)/credit	(59,481)	(226,430)	(740,918)	(976,427)	**479,571**
(Loss)/profit for the year	(1,064,743)	1,219,922	3,002,284	2,136,464	**(3,062,457)**
Attributable to:					
Owners of the Company	(1,070,988)	1,217,827	3,086,019	2,267,453	**(3,029,954)**
Non-controlling interests	6,245	2,095	(83,735)	(130,989)	**(32,503)**
	(1,064,743)	1,219,922	3,002,284	2,136,464	**(3,062,457)**
ASSETS AND LIABILITIES					
Total assets	4,423,736	9,366,366	48,412,715	54,423,653	**50,056,703**
Total liabilities	(2,254,889)	(4,048,130)	(22,099,045)	(27,219,954)	**(26,156,166)**
Total equity	2,168,847	5,318,236	26,313,670	27,203,699	**23,900,537**
Attributable to:					
Owners of the Company	1,960,129	5,082,000	22,538,300	23,991,436	**20,695,500**
Non-controlling interests	208,718	236,236	3,775,370	3,212,263	**3,205,037**
	2,168,847	5,318,236	26,313,670	27,203,699	**23,900,537**

Notes:

1) The financial figures for the years ended 2017 and 2018 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 2018 were made on the financial figures for the year 2015.

4) The financial figures for the year ended 2014 was extracted from 2015 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 Nanjing Fullshare Property Dazu Technology Company Limited and New Energy Group. No retrospective adjustment for the common control combinations during the year ended 2018 were made on the financial figures for the year ended 2014.