豐盛
FULLSHARE

Fullshare Holdings Limited
豐盛控股有限公司

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

Interim Report 2018

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

For the six months ended 30 June 2018

	Notes	**For the six months ended 30 June 2018 (Unaudited) RMB'000**	2017 (Unaudited) RMB'000
Revenue from contracts with customers	3	**3,780,612**	4,780,185
Rental income	4	**103,276**	54,680
REVENUE		**3,883,888**	4,834,865
Cost of sales		**(2,994,132)**	(3,635,163)
Gross profit		**889,756**	1,199,702
Fair value change in financial instruments	6	**855,181**	(1,329,786)
Other income and gains/losses, net	5	**434,113**	721,659
Other expenses	7	**(71,048)**	(90,110)
Selling and distribution expenses		**(201,220)**	(240,136)
Administrative expenses		**(644,297)**	(673,947)
Finance costs	8	**(499,555)**	(323,979)
(Loss)/gain on disposal of subsidiaries, net	20	**(5,258)**	29,297
Share of profits and losses of:			
Joint ventures		**(11,209)**	78,395
Associates		**(7,256)**	56,739
PROFIT/(LOSS) BEFORE TAX	7	**739,207**	(572,166)
Income tax (expense)/credit	9	**(191,244)**	34,151
PROFIT/(LOSS) FOR THE PERIOD		**547,963**	(538,015)

Interim Condensed Consolidated Financial Statements

	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments changes in fair value	**–**	(105,276)
Income tax effect on change in fair value	**–**	26,723
	–	(78,553)
Exchange differences on translation of foreign operations	**118,971**	(125,431)
	118,971	(203,984)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net gain on financial assets at fair value through other comprehensive income	**103,297**	–
Income tax effect on change in fair value	**(5,952)**	–
	97,345	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**216,316**	(203,984)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**764,279**	(741,999)

Interim Condensed Consolidated Financial Statements

	Note	**For the six months ended 30 June** **2018** **(Unaudited)** **RMB'000**	2017 (Unaudited) RMB'000
Profit/(loss) for the period attributable to:			
Owners of the parent		**550,598**	(567,074)
Non-controlling interests		**(2,635)**	29,059
		547,963	(538,015)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**782,066**	(750,162)
Non-controlling interests		**(17,787)**	8,163
		764,279	(741,999)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	11	**RMB2.79 cents**	RMB(2.87) cents

Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,656,711**	5,664,321
Investment properties		**3,980,790**	3,980,790
Prepaid land lease payments		**1,290,206**	1,161,142
Goodwill		**2,037,879**	2,047,674
Other intangible assets		**633,123**	677,707
Investments in joint ventures		**883,264**	1,967,578
Investments in associates		**565,021**	672,087
Available-for-sale investments	16	**–**	4,894,177
Financial assets at fair value through other comprehensive income	16	**3,977,759**	–
Financial assets at fair value through profit or loss	15	**2,042,544**	–
Financial assets designated as at fair value through profit or loss	15	**–**	689,712
Loan receivable		**–**	399,000
Prepayments, deposits and other receivables	14	**820,295**	343,987
Deferred tax assets		**293,362**	294,954
Total non-current assets		**22,180,954**	22,793,129

Interim Condensed Consolidated Financial Statements

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
CURRENT ASSETS			
Deposits paid for potential acquisitions		**99,114**	211,823
Inventories		**2,993,880**	2,419,827
Prepaid land lease payments		**25,323**	26,830
Trade and bills receivables	13	**4,485,761**	6,650,273
Consideration receivables		**519,550**	149,216
Loan receivables		**4,731,641**	2,926,751
Prepayments, deposits and other receivables	14	**2,249,188**	2,182,825
Tax prepaid		**4,106**	10,213
Financial assets at fair value through other comprehensive income	16	**2,285,301**	–
Financial assets at fair value through profit or loss	15	**9,304,809**	–
Financial assets held for trading	15	**–**	7,242,057
Structured bank deposits		**–**	110,000
Properties under development		**901,179**	929,653
Properties held for sale		**523,159**	438,885
Pledged bank deposits		**3,678,458**	2,894,031
Restricted bank deposits		**–**	216,461
Cash and cash equivalents		**3,100,480**	5,221,679
Total current assets		**34,901,949**	31,630,524

Interim Condensed Consolidated Financial Statements

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	17	**7,574,705**	6,814,951
Other payables and accruals	18	**1,976,726**	2,203,367
Receipts in advance and deposits received		**–**	971,666
Contract liabilities and deposits received		**1,821,099**	–
Acquisition consideration payables		**248,694**	–
Bank and other borrowings	19	**8,050,787**	8,688,795
Taxation payable		**838,452**	829,316
Warranty provision		**111,001**	120,664
Derivative financial instruments		**–**	95,489
Deferred income		**4,925**	6,771
Total current liabilities		**20,626,389**	19,731,019
NET CURRENT ASSETS		**14,275,560**	11,899,505
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,456,514**	34,692,634

Interim Condensed Consolidated Financial Statements

	Note	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Corporate bonds		**2,420,208**	1,919,988
Bank and other borrowings	19	**3,890,269**	3,363,646
Deferred tax liabilities		**2,263,387**	2,119,643
Deferred income		**85,195**	85,658
Total non-current liabilities		**8,659,059**	7,488,935
Net assets		**27,797,455**	27,203,699
EQUITY			
Equity attributable to owners of the parent			
Share capital		**161,084**	161,084
Equity reserve		**422,833**	422,833
Reserves		**24,056,173**	23,407,519
		24,640,090	23,991,436
Non-controlling interests		**3,157,365**	3,212,263
Total equity		**27,797,455**	27,203,699

Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent												
	Share capital RMB'000	Equity reserve RMB'000	Share premium account* RMB'000	Statutory surplus reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Investment revaluation reserve* RMB'000	Reverse acquisition reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	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
Impact of adopting HKFRS 9 (Note 2.2)	-	-	-	-	-	-	58,565	-	-	5,020	63,585	14,156	77,741
At 1 January 2018, as stated	161,084	422,833	17,372,163	508,195	31,777	(494,533)	38,061	(390,381)	(67,332)	6,473,154	24,055,021	3,226,419	27,281,440
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	550,598	550,598	(2,635)	547,963
Other comprehensive income/(loss) for the periods:													
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	112,692	-	-	-	112,692	(15,347)	97,345
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	118,776	-	118,776	195	118,971
Total comprehensive income/(loss) for the periods	-	-	-	-	-	-	112,692	-	118,776	550,598	782,066	(17,787)	764,279
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,000	9,000
Deemed shareholder contribution	-	-	-	-	-	98,939	-	-	-	-	98,939	-	98,939
Final 2017 dividend declared	-	-	(295,936)	-	-	-	-	-	-	-	(295,936)	-	(295,936)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(60,267)	(60,267)
At 30 June 2018 (unaudited)	161,084	422,833	17,076,227	508,195	31,777	(395,594)	150,753	(390,381)	51,444	7,023,752	24,640,090	3,157,365	27,797,455

Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

	Attributable to owners of the parent												
	Share capital RMB'000	Equity reserve RMB'000	Share premium account* RMB'000	Statutory surplus reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Investment revaluation reserve* RMB'000	Reverse acquisition reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* 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
(Loss)/profit for the period	–	–	–	–	–	–	–	–	–	(567,074)	(567,074)	29,059	(538,015)
Other comprehensive income/(loss) for the periods:													
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	(57,544)	–	–	–	(57,544)	(21,009)	(78,553)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(125,544)	–	(125,544)	113	(125,431)
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	(57,544)	–	(125,544)	(567,074)	(750,162)	8,163	(741,999)
Acquisition of subsidiaries not under common control	–	–	–	–	–	–	–	–	–	–	–	885	885
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(4,399)	(4,399)
Capital contribution by non-controlling shareholders of subsidiaries	–	–	–	–	–	2,992	–	–	–	–	2,992	2,930	5,922
Disposal of subsidiaries	–	–	–	(16,264)	–	–	–	–	–	16,264	–	(194,926)	(194,926)
Dividend declared	–	–	(295,936)	–	–	–	–	–	–	–	(295,936)	–	(295,936)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(97,069)	(97,069)
At 30 June 2017 (unaudited)	161,084	422,833	17,372,163	229,249	(6,765)	(454,916)	106,191	(390,381)	111,963	3,943,773	21,495,194	3,490,954	24,986,148

Notes:

* These reserve accounts comprise the consolidated other reserves of RMB24,056,173,000 (31 December 2017: RMB23,407,519,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Financial Statements

(i) Equity reserve

Equity reserve represented (a) the difference between the paid-in capital of Nanjing Fullshare Asset Management Limited* (南京豐盛資產管理有限公司) ("**Nanjing Fullshare Asset Management**") and the carrying amount of ordinary share capital of the Company immediately before the completion of the reverse takeover transaction during the year ended 31 December 2013 and (b) the difference between deemed consideration given by Nanjing Fullshare Asset Management and the nominal value of ordinary shares of the Company issued in respect of the reverse takeover transaction.

(ii) Statutory surplus reserve

In accordance with the People's Republic of China ("**PRC**") Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

(iii) Merger reserve

The merger reserve of the Group arose as a result of the acquisitions of subsidiaries under common control and represented the difference between the consideration paid for the acquisitions and the carrying amount of the net assets of the subsidiaries at the date when the Group and the acquired subsidiaries became under common control.

(iv) Other reserve

Other reserve represents (a) the gain (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 Changqun ("**Mr. Ji**") and capitalised as capital contribution, (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 and (e) the deemed capital contribution arising from long-term interest-free loan made by Magnolia Wealth International Limited ("**Magnolia Wealth**"), the holding company of the Company.

Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**739,207**	(572,166)
Adjustments to reconcile profit/(loss) before tax to net cash flow	**(383,505)**	1,587,775
Total working capital adjustments	**(465,452)**	163,603
Cash (used in)/generated from operations	**(109,750)**	1,179,212
Income tax paid	**(84,019)**	(327,657)
Interest received	**1,667**	2,584
Net cash flows (used in)/generated from operating activities	**(192,102)**	854,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement in pledged bank deposits	**(3,461,347)**	(3,813,345)
Withdrawal of pledged bank deposits	**2,676,920**	3,107,008
Purchase of financial assets at fair value through other comprehensive income	**(304,991)**	–
Purchase of financial assets at fair value through profit or loss	**(1,139,120)**	–
Advance made to an insurance company	**(500,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**496,486**	–
Refund from an insurance company	**583,174**	–
Purchases of property, plant and equipment	**(239,400)**	(314,239)
Prepayment for acquisition of property, plant and equipment	**(511)**	–
Proceeds from disposal of property, plant and equipment	**1,975**	302,481
Acquisition of available-for-sale investments	**–**	(1,964,781)
Acquisition of financial assets designated as at fair value through profit or loss	**–**	(221,730)

Interim Condensed Consolidated Financial Statements

	Note	For the six months ended 30 June **2018** **(Unaudited)** **RMB'000**	2017 (Unaudited) RMB'000
Cash and cash equivalents classified as held for sales		**–**	(52,766)
Interest received		**92,375**	70,718
Withdrawal of structured bank deposits		**108,000**	739,000
Other investment income received		**70,580**	12,763
Capital withdrawal from a joint venture		**20,645**	–
Capital withdrawal from associates		**–**	247,981
Disposal of subsidiaries	20	**(41)**	557,839
Disposal of a joint venture		**39,419**	–
Disposal of associates		**–**	19,475
Deposit received for potential disposal of subsidiaries		**1,000,000**	–
Deposit paid for land lease		**(184,790)**	–
Receipt of consideration receivables		**149,216**	69,384
Capital injection in associates		**(127,205)**	(12,000)
Investments in joint ventures		**–**	(452,418)
Loan receivable granted to third parties		**(4,604,807)**	(3,678,038)
Loan receivable granted to associates		**(116,641)**	–
Repayment of loan receivables and other receivables		**3,226,918**	2,805,700
Payment of deposits for potential acquisition		**(99,114)**	(782,264)
Receipt of government grants		**5,503**	–
Proceeds from land resumption		**–**	600,000
Dividends received from jointly controlled entities/associates		**–**	1,000
Proceeds from disposal of an investment property		**–**	11,053
Acquisition of subsidiaries not under common control		**–**	(351,258)
Acquisition of assets and liabilities through acquisition of subsidiaries		**–**	(149,031)
Net cash flows used in investing activities		**(2,306,756)**	(3,247,468)

Interim Condensed Consolidated Financial Statements

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by non-controlling shareholders	**9,000**	5,922
Proceeds from issue of corporate bonds	**500,000**	900,000
Acquisition of additional interests of subsidiaries	**–**	(4,399)
Borrowings from the controlling shareholders	**706,850**	784,280
Repayment of borrowings from the controlling shareholders	**(159,538)**	–
Placement in pledged bank deposits	**–**	(58,628)
New bank and other borrowings	**5,106,571**	5,514,467
Repayment of bank and other borrowings	**(5,074,785)**	(5,219,501)
Repayment of finance lease payables	**–**	(6,931)
Dividends paid	**(356,203)**	(387,105)
Interest paid	**(355,912)**	(317,546)
Net cash flows from financing activities	**375,983**	1,210,559
Net decrease in cash and cash equivalents	**(2,122,875)**	(1,182,770)
Cash and cash equivalents at beginning of period	**5,221,679**	3,864,068
Effect of foreign exchange rate changes, net	**1,676**	(1,398)
Cash and cash equivalents at end of period	**3,100,480**	2,679,900

Interim Condensed Consolidated Financial Statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 (Cap. 22) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the period, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- Property development and investment
- Tourism
- Investment and financial services
- Provision of healthcare and education products and services
- New energy business

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017 ("**Group's FS 2017**").

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

As disclosed in note 45(c) to the Group's FS 2017, the Group acquired the entire equity interests in four early learning service centres (the "**Centres**") on 28 July 2017, 11 August 2017 and 1 September 2017 respectively and the fair values of the identifiable assets and liabilities of the Centres at the dates of acquisition have been determined provisionally. During the current interim period, the valuation has not yet been completed. Accordingly, the amounts of identifiable net liabilities and goodwill relating to the Centres as at dates of acquisitions and so as the respective balances as at 31 December 2017 have not been adjusted in the preparation of interim condensed consolidated financial statements for the six months ended 30 June 2018.

2.2 New standards, Interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards, interpretation and amendments to HKFRSs, which are mandatory effective for the annual period beginning on or after 1 January 2018. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Except for the impacts from Hong Kong Financial Reporting Standard ("**HKFRS**") 15 and HKFRS 9 as described below, the application of the other interpretations and amendments to HKFRSs, which are mandatory effective for the annual period beginning on or after 1 January 2018, has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements. The nature and the effect of these changes are disclosed below.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group's principal activities consist of the development and sale of properties, manufacture and sale of mechanical transmission goods, sale of other products, rendering of healthcare, education, investment related consulting services and hotel operation. The Group adopted HKFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 18 and related interpretations, thus the comparative figures have not been restated. The analysis of the effect of adopting HKFRS 15 is as follows:

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers *(continued)*

(a) Sale of properties

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progress. Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

For the six months ended 30 June 2018, the Group has assessed that the properties have alternative use to the Group or the Group has no enforceable right to payment from the customers for performance completed to date for the properties. Therefore, the Group concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

(b) Sale of goods

The Group's contract with customers for the sale of mechanical transmission goods and other products generally include one performance obligation. The Group has concluded that revenue from sale of mechanical transmission goods and other products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the Group concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers *(continued)*

(c) Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sales, as required by law, and the customers does not have the option to purchase a warranty separately. As such, the Group's warranties are assurance-type warranties under HKFRS 15, which the Group accounts for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of HKFRS 15. Therefore, the Group concluded that these amendments did not have any significant impact on the interim condensed consolidated financial statements.

(d) Rendering of services

The Group also provides construction management, investment and financial services, healthcare and education services. Prior to adoption of HKFRS 15, depends on the service nature and contract terms, the Group recognises revenue either by percentage of completion approach or when the services are rendered. The Group recognised trade receivables, even if receipt of total consideration was conditional on successful completion of installation services. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group. Also, the Group has no conditional earned consideration. Therefore, the adoption of HKFRS 15 did not have an impact on the timing and amount of revenue recognition.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers *(continued)*

(e) Incremental costs of obtaining the contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs (sales commissions to intermediaries) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(f) Advances received from customers

The Group receives advances from its customers for the good and properties sold and service rendered. Prior to the adoption of HKFRS 15, the Group presented these advances as receipts in advance in the consolidated statement of financial position. No interest was accrued on these advances received under the previous accounting policy.

Under HKFRS 15, the Group applies the practical expedient of not adjusting the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the payment between the payment by the customer and the transfer of the promised goods or services is less than one year.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers *(continued)*

(f) Advances received from customers (continued)

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the six months ended 30 June 2018, the Group has assessed that the financing component effect is insignificant.

Under HKFRS 15, these advances, which previously included in "Receipt in advance and deposits received", are recorded as "Contract liabilities and deposits received" before relevant revenue is recognised.

(g) Presentation and disclosure requirements

As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. The disclosure on disaggregated revenue are set out in note 3.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9 and elected not to restate comparative information for 2017 for financial instruments. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. The difference between carrying amounts of financial instruments as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in opening equity as at 1 January 2018.

Key changes in accounting policies resulting from application of HKFRS 9 are as follows:

(a) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principle and interest" on the principle amount outstanding (the "SPPI" criterion).

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

***HKFRS 9 Financial Instruments** (continued)*

(a) Classification and measurement (continued)

The new classification and measurement of the Group's financial assets are, as follow:

(i) Debt instruments are measured at amortised cost for the financial assets that are held within a business mode with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, financial assets included in prepayment, deposits and other receivables, consideration receivables, loan receivables, pledged bank deposits, restricted bank deposits and cash and cash equivalents.

(ii) Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's bills receivables that meet the SPPI criteria and are held within a business model both to collect cash flows and to sell.

(iii) Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes quoted and unquoted equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments and some quoted equity instruments were classified as available-for-sale financial assets.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments *(continued)*

(a) Classification and measurement (continued)

(iv) Financial assets at FVPL comprise derivative instruments, certain quoted equity instruments which the Group intends to hold for trading and debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is ether to collect contractual cash flows, or both to collect contractual cash flows and sell. Under HKAS 39, these debt instruments were classified as available-for-sale financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the fact and circumstances as at the initial recognition of the assets.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments *(continued)*

(b) Impairment (continued)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For trade receivables and loan receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECL is based on the 12-month ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

HKFRS 9 Financial Instruments *(continued)*

(b) Impairment (continued)

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account of any credit enhancements held by the Group. The Group concluded that the adoption of the ECL requirements of HKFRS 9 consideration do not result in any significant impact on the amounts reported in the statement of consolidated financial position on 1 January 2018 and the financial information during the six months ended 30 June 2018.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of HKFRS 9, other financial line items (including deferred tax liability, investment revaluation reserve and non-controlling interests) were adjusted accordingly.

Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, Interpretation and amendments adopted by the Group (continued)

***HKFRS 9 Financial Instruments** (continued)*

(c) Other adjustments (continued)

The adjustments and reclassifications were made to the Group's financial assets and the reserves on 1 January 2018, the date of initial application as follows:

	Previously reported under HKAS 39	Re-classification	Re-measurement	Restated under HKFRS 9
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets-amortised cost				
Bills receivable	2,853,321	(2,853,321)	–	–
Financial assets				
Available-for-sale investments	4,894,177	(4,894,177)	–	–
Financial assets designated as at FVPL	689,712	(689,712)	–	–
Financial assets held for trading	7,242,057	(7,242,057)	–	–
Financial assets – FVPL	–	9,381,267	9,056	9,390,323
Financial assets – FVOCI	–	6,298,000	94,599	6,392,599
Deferred tax liabilities	2,119,643	–	25,914	2,145,557
Equity				
Investment revaluation reserve	(20,504)	–	58,565	38,061
Retained profits	6,468,134	–	5,020	6,473,154
Non-controlling interests	3,212,263	–	14,156	3,226,419

Interim Condensed Consolidated Financial Statements

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers represents the net invoiced value of properties and goods sold, after allowances for returns and trade discounts; income from hotel operations and the value of services rendered.

An analysis of revenue from contracts with customers is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of properties	**78,081**	391,342
Sale of goods	**3,476,292**	4,142,101
Rendering of services	**158,117**	181,311
Hotel operations	**68,122**	65,431
	3,780,612	4,780,185

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Disaggregation of revenue

The revenue from contracts with customers disaggregated by major types of products/service lines, timing of revenue recognition and primary geographical markets by different reportable segments during the six months ended 30 June 2018 were as follows:

For the six months ended 30 June 2018

Segments	Properties (Unaudited) RMB'000	Tourism (Unaudited) RMB'000	Investment and financial services (Unaudited) RMB'000	Healthcare and education (Unaudited) RMB'000	New energy (Unaudited) RMB'000	Total (Unaudited) RMB'000
Type of goods or service						
Sale of properties	78,081	–	–	–	–	78,081
Sale of goods	–	35	–	9,463	3,466,794	3,476,292
Rendering of services	45,606	11	5,059	107,441	–	158,117
Hotel operations	–	68,122	–	–	–	68,122
Total revenue from contracts with customers	123,687	68,168	5,059	116,904	3,466,794	3,780,612
Timing of revenue recognition						
– Recognised at a point in time	78,081	35	–	9,463	3,466,794	3,554,373
– Recognised over time	45,606	68,133	5,059	107,441	–	226,239
Total	123,687	68,168	5,059	116,904	3,466,794	3,780,612
Primary geographical markets						
Mainland China (including Hong Kong)	123,687	1,100	5,059	11,043	2,321,210	2,462,099
Overseas	–	67,068	–	105,861	1,145,584	1,318,513
Total	123,687	68,168	5,059	116,904	3,466,794	3,780,612

Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION

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

(a) Properties – investment, development and sale of properties, and provision of construction related service;

(b) Tourism – tourist services;

(c) 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;

(d) Healthcare and education – healthcare and education products and services; and

(e) New energy – manufacture and sale of gear products.

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

Segment assets exclude deferred tax assets, certain property, plant and equipment, tax prepaid, pledged bank deposits, structured bank deposits, cash and cash equivalents, deposits paid for potential acquisitions, 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, acquisition consideration payables, corporate bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

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

The following tables present revenue from contracts with customers, gross rental income and profit information for the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively.

For the six months ended 30 June 2018

	Properties (Unaudited) RMB'000	Tourism (Unaudited) RMB'000	Investment and financial services (Unaudited) RMB'000	Healthcare and education (Unaudited) RMB'000	New energy (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:						
Revenue from contracts with customers	123,687	68,168	5,059	116,904	3,466,794	3,780,612
Gross rental income	103,044	–	–	232	–	103,276
Fair value change in financial instruments	–	–	855,181	–	–	855,181
Segment profit/(loss)	21,853	(17,707)	1,009,648	(105,205)	204,984	1,113,573
Unallocated corporate expenses						(47,218)
Unallocated interest income						46,070
Unallocated income and gains						131,930
Loss on disposal of subsidiaries						(5,258)
Loss on disposal of an associate						(583)
Gain on disposal of a joint venture						248
Finance costs						(499,555)
Profit before tax						739,207

Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2017

	Properties (Unaudited) RMB'000	Tourism (Unaudited) RMB'000	Investment and financial services (Unaudited) RMB'000	Healthcare and education (Unaudited) RMB'000	New energy (Unaudited) RMB'000	Total (Unaudited) RMB'000
Sales	514,228	65,431	37,732	323,267	3,894,207	4,834,865
Fair value change in financial instruments	–	–	(1,329,786)	–	–	(1,329,786)
Segment profit/(loss)	701,015	11,389	(1,279,926)	(24,813)	325,114	(267,221)
Unallocated corporate expenses						(53,158)
Unallocated other income						42,895
Gain on disposal of subsidiaries						29,297
Finance costs						(323,979)
Loss before tax						(572,166)

Interim Condensed Consolidated Financial Statements

4. OPERATING SEGMENT INFORMATION (continued)

The following table presents asset and liability information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	Properties RMB'000	**Tourism** RMB'000	**Investment and financial services** RMB'000	**Healthcare and education** RMB'000	**New energy** RMB'000	**Total** RMB'000
Assets						
30 June 2018 (Unaudited)	6,545,568	834,486	20,196,907	846,086	20,677,499	49,100,546
Reconciliation:						
Corporate and other unallocated assets						7,982,357
Total assets						57,082,903
31 December 2017 (Audited)	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
Liabilities						
30 June 2018 (Unaudited)	1,454,405	66,528	453	42,064	8,950,901	10,514,351
Reconciliation:						
Corporate and other unallocated liabilities						18,771,097
Total liabilities						29,285,448
31 December 2017 (Audited)	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

Interim Condensed Consolidated Financial Statements

5. OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of other income and net gains/loss is as follows:

	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Other income		
Bank interest income	**46,070**	34,246
Other interest income	**195,610**	56,859
Rental income	**1,323**	6,845
Government grants	**6,065**	16,974
Other investment income	**161,226**	28,348
Management fee income	**32,548**	24,521
Sale of raw material	**17,626**	20,777
Other	**5,422**	5,922
	465,890	194,492
Gains/(losses), net		
Gain from land resumption	**–**	122,283
Foreign exchange difference, net	**(29,455)**	(28,471)
(Loss)/gain on disposal of items of property, plant and equipment	**(1,987)**	1,377
(Loss)/gain on disposal of an associate	**(583)**	58
Change in fair value of properties held for sale transferred to investment properties	**–**	431,920
Gain on disposal of a joint venture	**248**	–
	(31,777)	527,167
	434,113	721,659

6. FAIR VALUE CHANGE IN FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fair value change in listed equity investments	**764,561**	(1,321,365)
Fair value change in derivative financial instruments	**(9,932)**	–
Fair value change in unlisted debt investments	**51,005**	–
Fair value change in other financial assets	**49,547**	–
Fair value change in financial assets designated as at fair value through profit or loss	**–**	(9,294)
Fair value change in derivative components of convertible bonds	**–**	873
	855,181	(1,329,786)

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7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**2,710,814**	3,114,725
Cost of properties sold	**41,455**	231,384
Cost of hotel operations	**91,416**	89,016
Cost of services provided	**124,244**	111,462
Direct operating expenses arising from rental-earning investment properties	**14,598**	6,257
Depreciation	**308,574**	471,581
Amortisation of other intangible assets	**44,584**	54,924
Amortisation of prepaid land lease payments	**12,690**	14,228
Write-down of inventories to net realisable value (included in cost of sales)	**11,605**	82,319
Items included in other expenses:		
(Reversal) impairment loss of trade and bills receivables, net	**(19,048)**	76,349
(Reversal) impairment loss of other receivables	**(1,366)**	13,761
Impairment loss of investment in an associate (note)	**66,000**	–

Note: During the current interim period, in view of the continuous decline in operating results of Hin Sang Group (International) Holding Co., Ltd. ("Hin Sang", 06893. HK) and the fair value of Hin Sang, which was lower than the Group's carrying value of its investment in Hin Sang, impairment indicators were identified. The carrying amount of this investment was compared to its recoverable amount, at a calculation of fair value less costs of disposal, which is based on the closing price of Hin Sang quoted on the HKEX as at 30 June 2018 (within Level 1 of the fair value hierarchy), and an impairment loss of RMB66,000,000 was recognised in profit or loss during the current interim period (2017: nil).

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest on bank and other borrowings	**422,285**	327,287
Interest on convertible bonds	**–**	873
Interest on corporate bonds	**81,414**	422
Interest on finance leases	**–**	163
Less: Interest capitalised	**(4,144)**	(4,766)
	499,555	323,979

9. INCOME TAX EXPENSE/(CREDIT)

The Group calculates the income tax expense/(credit) for the period using the tax rates prevailing in the jurisdictions in which the Group operates. The major components of income tax expense/(credit) in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

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9. INCOME TAX EXPENSE/(CREDIT) (continued)

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – charge for the period		
– PRC	**96,514**	198,897
– Hong Kong	**5,312**	–
– Land appreciation tax ("**LAT**")	**7,130**	20,822
Over provision in respect of prior period		
– PRC	**(25,854)**	–
Deferred tax	**108,142**	(253,870)
Total tax charge/(credit) charge for the period	**191,244**	(34,151)

PRC corporate income tax ("CIT")

PRC CIT has been provided at the rate of 25% (six months ended 30 June 2017: 25%) on the taxable profits of the Group's PRC subsidiaries, except those listed below during the period.

9. INCOME TAX EXPENSE/(CREDIT) (continued)

PRC corporate income tax ("CIT") (continued)

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 ended/ ending during which approval will expire
Nanjing High Speed Gear Manufacturing Co., Ltd.	31 December 2017	31 December 2019
Nanjing High Speed & Accurate Gear (Group) Co., Ltd	31 December 2017	31 December 2019
Nanjing Gaochuan Sky Digital Control Equipment Manufacturing Co., Ltd. ("**Nanjing Gaochuan Sky**")	31 December 2015	31 December 2018 (note)
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd. ("**CHSTE (Beijing) Shougao**")	31 December 2015	31 December 2018 (note)
Nanjing High Accurate Rail Transportation Equipment Co. Ltd	31 December 2017	31 December 2019

Note: The approval of Nanjing Gaochuan Sky and CHSTE (Beijing) Shougao was issued on 31 October 2015. As the preferential tax rate of 15% for 3 years became effective from the date of approval and up to October 2018, the subsidiaries applied the rate of 15% for the calculation of Enterprise Income Tax for the six months ended 30 June 2018. As at the end of the reporting period, Nanjing Gaochuan Sky and CHSTE (Beijing) Shougao are in the process of applying to renew the qualification of the high technology development enterprises.

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9. INCOME TAX EXPENSE/(CREDIT) (continued)

PRC LAT

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

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2018.

Singapore CIT

No provision for taxation in Singapore CIT has been made as the Group did not generate any assessable profits arising in Singapore during the period ended 30 June 2018 (six months ended 30 June 2017: nil).

Australia company tax

Australia company tax has been provided at the rate of 30% on the taxable profits of the Group's Australian subsidiaries for the period ended 30 June 2018.

No provision for taxation in Australia has been made during the period ended 30 June 2017 as the subsidiaries with operation in Australia either did not generate any assessable profits or the assessable profit was wholly absorbed by tax losses brought forward.

10. DIVIDENDS

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2018 (30 June 2017: nil).

The proposed final dividend of RMB1.5 cents per ordinary share for the year ended 31 December 2017 was declared payable and approved by the shareholders at the annual general meeting of the Company on 25 May 2018.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 19,729,062,000 (six months ended 30 June 2017: 19,729,062,000) in issue during the period.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the parent, adjusted to reflect the interest on the convertible bonds and fair value change on the conversion option derivative components of the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings/(loss)		
Earnings/(loss) for the purpose of the basic earnings/(loss) per share calculation	**550,598**	(567,074)
Interest on convertible bonds	**–**	873
Fair value gain on the derivative component of the convertible bonds	**–**	(873)
Earnings/(loss) attributable to owners of parent before interest and fair value change on convertible bonds	**550,598**	(567,074)

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	For the six months ended 30 June	
	2018	2017
	Number of shares	
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**19,729,062**	19,729,062
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	6,209
	19,729,062	19,735,271

Diluted earning per share for the six months ended 30 June 2018 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the period. Since the convertible bonds had an anti-dilutive effect on the basic loss per share for the six months ended 30 June 2017, the diluted loss per share amount was based on the loss for the period attributable to the owners of the parent, of RMB567,074,000 and the weighted average number of ordinary shares of approximately 19,729,062,000 in issue during the period.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a cost of RMB325,409,000 (six months ended 30 June 2017: RMB361,851,000).

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment with a net book value of RMB3,962,000 were disposed of by the Group during the six months ended 30 June 2018 (30 June 2017: RMB345,264,000), resulting in a net loss on disposal of RMB1,987,000 (six months ended 30 June 2017, net gain: RMB1,377,000).

At 30 June 2018, the Group is in the process of obtaining property certificates for the buildings and land use rights certificates in respect of medium-term land use rights located in the PRC with carrying amount of RMB1,201,034,000 and RMB234,511,000 (31 December 2017: RMB1,186,433,000 and RMB450,622,000) respectively.

13. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade receivables	**4,566,841**	3,897,080
Bill receivables	**–**	2,853,321
Impairment	**(81,080)**	(100,128)
	4,485,761	6,650,273

The Group generally allows a credit period of 180 days to its trade customers for gear products and healthcare products. Apart from that, the Group does not have a standardised and universal credit period granted to its customers for other sales, and the credit period of individual customers is considered on a case-by-case basis and stipulated in the relevant contracts, as appropriate. In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing.

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13. TRADE AND BILLS RECEIVABLES (continued)

An aging analysis of the trade receivables (31 December 2017: trade and bills receivables) as at the end of the reporting period, based on the invoice date and the bills received date and net of provisions, is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 90 days	**2,764,285**	3,618,030
91 to 180 days	**1,028,170**	1,534,268
181 to 365 days	**331,042**	993,620
Over 365 days	**362,264**	504,355
	4,485,761	6,650,273

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14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Prepayments	**689,829**	595,516
Other receivables*	**500,000**	583,174
Deposits and other receivables	**1,544,570**	1,310,629
VAT recoverable	**170,153**	84,953
Other tax prepaid	**2,870**	510
Amounts due from joint ventures	**96,161**	14,126
Amounts due from associates	**150,198**	23,568
Impairment	**(84,298)**	(85,664)
	3,069,483	2,526,812
Analysed for reporting purposes as:		
Current	**2,249,188**	2,182,825
Non-current	**820,295**	343,987
	3,069,483	2,526,812

* At 30 June 2018 and 31 December 2017, the amount represents an advance made to an insurance company in the PRC with maturity in year 2023 and year 2018 respectively, and carried interest at an annualised fixed rate at 6.50% per annum. Interest and the principal amount are repayable at the maturity date.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS HELD FOR TRADING

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Other financial assets and derivatives (note a):		
Contractual right in relation to a listed entity, at fair value (note b)	**513,822**	493,699
Derivative financial instruments	**24,566**	–
Convertible bonds	**–**	196,013
	538,388	689,712
Listed equity investments (note c):		
Zall Smart Commerce Group Ltd. ("**Zall Group**") (02098.HKEX)	**7,611,782**	6,761,509
China Saite Group Co. Limited (00153.HKEX)	**89,643**	95,194
C&D International Investment Group Limited (01908.HKEX)	**386,737**	345,317
Medicskin Holdings Limited (08307.HKEX)	**34,512**	40,037
CH-AUTO Technology Corporation Ltd (833581.PRC New OTC Market)	**299,991**	–
	8,422,665	7,242,057
Unlisted debt investments (note d)	**2,386,300**	–
	11,347,353	7,931,769

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS HELD FOR TRADING (continued)

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
For reporting purposes:		
Financial assets designated as at fair value through profit of loss		
Non-current	**–**	689,712
Financial assets held for trading		
Current	**–**	7,242,057
Financial assets at fair value through profit or loss		
Current	**9,304,809**	–
Non-current	**2,042,544**	–
	11,347,353	–

(a) These other financial assets as at 31 December 2017 were recorded by the Group as "Financial assets designated as at fair value through profit or loss" and stated at fair value under HKAS 39. Upon adoption of HKFRS 9, the management assessed that these financial assets and derivatives do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI, they are measured at FVPL.

(b) 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 Jinkong Investment Group Co., Ltd.*（渤海金控投資股份有限公司, 000415.SZSE) held by Xizang Ruihua. The financial assets were revalued on 30 June 2018 based on valuations performed by Avista Valuation Advisory Limited at RMB513,822,000 (31 December 2017: RMB493,699,000). During the six months ended 30 June 2018, the unrealised gain arising from holding this investment amounted to approximately RMB20,123,000 (six months ended 30 June 2017: unrealised loss of RMB32,652,000) was recorded and included in fair value change in financial instruments.

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS HELD FOR TRADING (continued)

(c) These listed equity investments as at 31 December 2017 were classified as "Financial assets held for trading" and stated at fair value under HKAS 39. Upon adoption of HKFRS 9, they are grouped and included under "Financial assets at fair value through profit or loss".

Up to the date of approval of these interim condensed consolidated financial statements, there were no addition or disposal of Zall Group. The market value of the Group's equity investments in Zall Group at the date of approval of the interim condensed consolidated financial statements was approximately RMB5,496,161,000. In accordance with the respective accounting policy, the change in fair value will be recognised in profit or loss subsequent to the period end.

(d) (i) On 31 August 2017, the Group's subsidiary entered into a limited partnership agreement with Ningbo Zhongbang Chanrong Holding Co., Ltd.*（寧波眾邦產融控股有限公司） and Ningbo Jingbang Asset Management Co., Ltd.*（寧波靖邦資產管理有限公司） in respect of the establishment of an investment fund in the PRC named Shanghai Guiman Enterprise Management L.P.*（上海圭蔓企業管理合夥企業（有限合夥）） (the "**Guiman Fund**"). The Group's subsidiary is a limited partner and has invested RMB500,000,000 in the Guiman Fund. It was classified as available-for-sale investments as at 31 December 2017.

(ii) Included in the balance an amount of RMB1,157,569,000 as at 30 June 2018 represents the Group's unlisted debt investments in financial products issued by certain banks and other financial institutions.

(iii) The remaining amount includes the unlisted debt investments with individual amount less than RMB500,000,000.

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Financial assets at fair value through other comprehensive income:		
Listed equity investments (note a)	**931,824**	–
Unlisted equity investments (note b)	**3,045,935**	–
Bills receivables	**2,285,301**	–
	6,263,060	–
Available-for-sale investments		
Listed equity investments (note a)	**–**	590,393
Unlisted equity investments (note b)	**–**	4,303,784
	–	4,894,177
For reporting purposes:		
Available -for-sale investments		
Non-current	**–**	4,894,177
Financial assets at fair value through other comprehensive income		
Current	**2,285,301**	–
Non-current	**3,977,759**	–
	6,263,060	–

The above investments as at 30 June 2018 consist of investments in equity securities which were designated as equity instruments at fair value through other comprehensive income, certain of which were designated as available-for-sale investments as at 31 December 2017.

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) At 30 June 2018, the balance includes the Group's investment 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 RMB18,582,000 (31 December 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 RMB317,695,000 (31 December 2017: RMB380,794,000), the investment in 4,593,000 shares of Bank of Jiangsu Co., Ltd.*（江蘇銀行股份有限公司）amounting to RMB28,612,000 (31 December 2017: RMB33,756,000) and the investment in 4,104,137 Class A ordinary shares, 6,949,997 Class B ordinary shares and 6,400,657 American Depository Shares (the "**ADSs**") of Tuniu Corporation ("**Tuniu**") (TOUR.O.NASDAQ) amounting to RMB566,935,000 (31 December 2017: RMB153,733,000).

They were stated at fair value. Since these investments are not held for trading and not expected to be sold in the foreseeable future, they were classified as available-for sale investments as at 31 December 2017. Upon adoption of HKFRS 9, the Group elect to designate these shares at equity instruments at fair value through other comprehensive income as at 1 January 2018. The fair value gain relating to those investments carried at fair value continued to accumulate in investment revaluation reserve.

During the current interim period, the Group further acquire 4,104,137 Class A ordinary shares, 6,949,997 Class B ordinary shares and 3,312,503 ADSs of Tuniu at an aggregate cash consideration of USD69,972,000 (equivalent to RMB445,592,000). Other than that, there were no addition or disposal of the securities listed above.

(b) On 17 April 2017, the Group's subsidiary entered into a limited partnership agreement with thirty-four other partners in respect of, among other matters, 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）） and the subscription of interest therein. The general partner and executive partner of the investment fund is Ningbo Qianchao Yongxin Investment Management L.P.,* （寧波錢潮湧鑫投資管理合夥企業（有限合夥）） a limited partnership established in the PRC. The objective of the investment fund is to invest in businesses arising from government's economic reform especially in Zhejiang region. The Group considers that such investment could result in more investment opportunities and better investment returns by leveraging on the other partners' advantageous resources or experience in investment management. Pursuant to the limited partnership agreement, the full capital contribution to the investment fund is RMB50.38 billion, among which, RMB2 billion is to be contributed by Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.* （南京高精傳動設備製造集團有限公司）("**Nanjing Drive**") as a limited partner. As at 30 June 2018, RMB2 billion has been paid up by the Group's subsidiary to the investment fund.

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.

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17. TRADE AND BILLS PAYABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade payables	**2,622,755**	2,033,043
Bills payables	**4,951,950**	4,781,908
	7,574,705	6,814,951

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 3 month	**3,392,861**	5,169,819
3 to 6 months	**2,653,380**	609,473
6 to 12 months	**1,331,525**	796,492
Over 1 year	**196,939**	239,167
	7,574,705	6,814,951

As at 30 June 2018, included in the trade and bills payables are trade payables of RMB7,074,000 (31 December 2017: RMB5,325,000) due to the Group's associates and RMB1,556,000 (31 December 2017: RMB178,000) due to the Group's joint ventures which are repayable on demand.

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

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18. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Accruals	**1,030,762**	996,413
Amounts due to joint ventures	**30,000**	30,000
Amounts due to associates	**1,251**	1,350
Other tax payables	**25,740**	124,983
Payroll and welfare payables	**140,394**	176,199
Other payables	**533,567**	524,569
Client's fund	**–**	216,461
Liability arising from financial guarantee contracts	**10,009**	11,108
Payables for purchase of property, plant and equipment	**205,003**	122,284
	1,976,726	2,203,367

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19. BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	**Maturity**	**RMB'000 (Unaudited)**	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – secured	**3.20-7.50**	**2018-2019**	**1,394,756**	2.80-5.78	2018	1,253,015
Bank loans – unsecured	**1.05-5.80**	**2018-2019**	**4,403,759**	1.05-5.80	2018	4,250,763
Other borrowings – unsecured	**5.00-8.00**	**2018-2019**	**481,188**	3.00-8.00	2018	1,778,320
Other borrowings – secured	**6.00-6.10**	**2018-2019**	**427,000**	–	–	–
Current portion of long term bank loans – secured	**4.90-7.13**	**2018-2019**	**130,000**	4.90-5.60	2018	95,000
Current portion of other long term loans – secured	**6.41**	**2018-2019**	**75,423**	–	–	–
Loans from related parties – unsecured	**–**	**2018**	**638,661**	–	2018	811,697
Medium-term notes – unsecured	**8.50**	**2019**	**500,000**	6.20	2018	500,000
			8,050,787			8,688,795
Non-current						
Medium-term notes – unsecured	**–**	**–**	**–**	8.50	2019	500,000
Bank loans – secured	**2.94-7.13**	**2019-2026**	**1,702,635**	2.94-5.78	2019-2026	1,592,712
Other borrowings – secured	**5.00-8.00**	**2019-2021**	**1,346,954**	6.00-8.00	2019	666,000
Other borrowings – unsecured	**8.00**	**2020**	**178,327**	6.10-6.41	2019-2020	604,934
Loans from related parties – unsecured	**4.75**	**2021**	**662,353**	–	–	–
			3,890,269			3,363,646
			11,941,056			12,052,441

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19. BANK AND OTHER BORROWINGS (continued)

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,928,515**	5,598,778
In the second year	**517,055**	448,150
In the third to fifth years, inclusive	**527,524**	531,125
Beyond five years	**658,056**	613,437
	7,631,150	7,191,490
Other borrowings repayable:		
Within one year	**2,122,272**	3,090,017
In the second year	**821,353**	1,515,934
In the third to fifth years, inclusive	**1,366,281**	255,000
	4,309,906	4,860,951
	11,941,056	12,052,441

Included in other borrowings of RMB1,264,942,000 (31 December 2017: RMB775,625,000) was due to the Group's controlling shareholder of which RMB602,589,000 (31 December 2017: RMB775,625,000) was unsecured, interest-free and repayable within one year. The remaining of RMB662,353,000 (31 December 2017: nil) was unsecured, borne effective interest rate at 4.75% and was repayable in year 2021.

In addition, bank loans of RMB1,380,412,000 (31 December 2017: RMB1,227,187,000) and other borrowings of RMB701,000,000 (31 December 2017: RMB501,000,000) as at 30 June 2018 were guaranteed by Mr. Ji and jointly guaranteed by both a close family member of Mr. Ji and Mr. Ji, respectively.

The secured borrowings at the end of the reporting period were secured by pledge of assets, details of which are set out in note 22.

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20. DISPOSAL OF SUBSIDIARIES

Fullshare Healthcare Limited (”豐盛健康有限公司”) (“Fullshare Healthcare”)

On 19 March 2018, the Group disposed of its entire equity interest in Fullshare Healthcare to Yi Yue (Hong Kong) Limited* (益悦(香港)有限公司), an independent third party, for a cash consideration of RMB1,093,000. In addition, Yi Yue (Hong Kong) Limited 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.

The assets and liabilities of Fullshare Healthcare at the disposal date were as follows:

	RMB’000
Net assets disposed of:	
Investment in an associate	170,000
Cash and cash equivalents	41
Other payables and accruals	(163,690)
	6,351
Loss on disposal of a subsidiary	(5,258)
Total consideration for disposal	1,093

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20. DISPOSAL OF SUBSIDIARIES (continued)

Fullshare Healthcare Limited (”豐盛健康有限公司”) (“Fullshare Healthcare”) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	30 June 2018 RMB’000
Cash consideration	**1,093**
Unsettled consideration (Note)	**(1,093)**
Cash and cash equivalents disposed of	**(41)**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(41)**

Note:

Consideration receivable of RMB1,093,000 and shareholder’s loan of RMB168,957,000 assumed by the purchaser has been fully received by a subsidiary of the Group established in the PRC as a guarantee deposit to fulfil the settlement obligation under the purchase and sales agreement. The deposit was interest-free and refundable upon the receipt of respective considerations by the relevant subsidiary of the Group.

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21. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**1,445,751**	1,418,901

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate which will generally be available within an average period of two to three years from the completion of guarantee registration and receipt of such certificate by the bank; and (ii) the satisfaction of the mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages.

The directors of the Company consider that the likelihood of default in payments by purchasers is minimal and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalty. Therefore, the financial guarantees measured at fair value are immaterial, and no provision has been made.

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21. CONTINGENT LIABILITIES (continued)

(b) The subsidiary of China High Speed Transmission Equipment Group Co., Ltd.（中國高速傳動設備集團有限公司*）("**CHS**") entered an agreement (the "**Agreement**") effective from 1 January 2013 with a third party (the "**Subcontractor**"), pursuant to which, the Group assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold for the Group at a fixed fee at certain percentage of annual sales of those wind gear products of the Group (the "**Fixed Fee**"). The subsidiary of CHS is not liable for any additional cost incurred by the Subcontractor in relation to the repair of those wind gear products, other than the Fixed Fee.

The Subcontractor however has not entered into any agreements with the customers of the wind gear products for the repair services. In the event of closure, liquidation, or inability of the Subcontractor to provide those repair services, the subsidiary of CHS is still liable for such repair obligations should those customers claim for that against the Group. In the opinion of the directors, based on their experience, the financial position of the Subcontractor and their assessment of the current economic environment, the possibility of the default or inability by the Subcontractor to carry out the obligation is remote. Accordingly, no provision for the repair obligation of wind gear products has been made in the subsidiary of CHS's financial statements at the end of the reporting period.

(c) At 30 June 2018, the Group provided guarantees to the Group's two (31 December 2017: two) associates and one former subsidiary (31 December 2017: one) in favour of their bank loans of RMB720,000,000 (31 December 2017: RMB740,000,000) in aggregate and RMB68,800,000 (31 December 2017: RMB73,200,000) respectively. These amounts represented that the balances could be required to be paid by the Group if the guarantees were called upon the entirety. At the end of the reporting period, an amount of RMB10,009,000 (31 December 2017: RMB11,108,000) has been recognised in the consolidated statement of financial position as liabilities.

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22. PLEDGE OF ASSETS

As at 30 June 2018, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and a connected party (31 December 2017: the Group) as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Properties under development	**69,042**	95,525
Properties held for sale	**78,163**	–
Investment properties	**3,871,790**	3,599,360
Property, plant and equipment	**342,912**	171,016
Trade and bills receivables	**541,841**	977,986
Prepaid land lease payments	**30,336**	58,170
Financial assets at FVOCI	**200,000**	200,000
Pledged bank deposits	**3,678,458**	2,894,031
	8,812,542	7,996,088

At 30 June 2018, the Group pledged its 16.95% (31 December 2017: 36%) equity interest in CHS, a subsidiary of the Group, for certain banking facilities granted to the Group.

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years (31 December 2017: 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 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	**144,910**	171,350
In the second to fifth years, inclusive	**757,237**	759,345
After five years	**459,131**	466,584
	1,361,278	1,397,279

(b) 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 (31 December 2017: one to six years), and those for office equipment are for terms ranging between two and five years (31 December 2017: two and five years).

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23. OPERATING LEASE ARRANGEMENTS (continued)

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	**30,027**	33,230
In the second to fifth years, inclusive	**105,122**	115,639
After five years	**97,540**	121,175
	232,689	270,044

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 (b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Properties under development	**252,542**	492,202
Land and buildings	**62,400**	62,400
Plant and machinery	**214,682**	238,758
Capital contributions payable to associates	**112,260**	1,391,110
Capital contributions payable to financial assets at FVOCI	**619,000**	–
Investment in available-for-sale investments	**–**	635,000
	1,260,884	2,819,470

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25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2018 and 2017:

	Notes	**30 June 2018 (Unaudited) RMB'000**	30 June 2017 (Unaudited) RMB'000
Associates:			
Sales of property, plant and equipment		**68**	466
Rental income and other charges	(ii)	**587**	–
Purchases of products	(iii)	**6,552**	15,690
Loans lent	(iv)	**116,641**	40,478
Interest income	(iv)	**588**	16,026
Joint ventures:			
Sales of products	(i)	**27,736**	1,249
Loan lent		**–**	210,000
Interest income		**–**	3,000
Other charges	(ii)	**2,080**	426
Purchases of products	(iii)	**20**	–
Loan received	(v)	**–**	370,558
Loan and interest repaid	(v)	**45,896**	–
Interest expense	(v)	**17,930**	8,834
The Group's controlling shareholder and his close family member:			
Sales of properties		**–**	13,727
Loan received	(vi)	**706,850**	784,280
Loan repaid	(vi)	**159,538**	–
The associate of the Group's controlling shareholder:			
Green building design and consultancy service income	(vii)	**19,510**	6,706
Purchases of services	(vii)	**6,840**	122,079
Sales of products	(vii)	**247**	172
The subsidiary of the Group's controlling shareholder:			
Management service income	(vii)	**4,762**	2,516
Services rendered		**–**	193

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25. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(i) The sales to the joint ventures were made according to the published prices and conditions offered to the major customers of the Group, with a credit period of up to six months is normally granted.

(ii) Rental income and other charges mainly represented the rental, water and electricity expenses and other overhead costs the Group charged its associates and joint ventures according to the actual costs incurred.

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

(iv) On 3 April 2018, the Group entered into an agreement with Nanjing Jiansheng Real Estate Development Company Limited ("**Jiansheng**") to lend RMB28,000,000. The balance is unsecured, bears an interest at 9% per annum and is repayable before 2 April 2019. During the current interim period, the Group advanced a total amount of RMB88,641,000 to Nanjing Gaochuan Electrical & Mechanical Auto Control Equipment Co., Ltd.* (南京高傳機電自動控制設備有限公司) ("**Nanjing Gaochuan**"). The balance is unsecured, interest-free and repayable on demand.

(v) On 28 December 2017, the Group entered into an agreement with Five Seasons Cultural Tourism Development Company Limited ("**Five Seasons Cultural**") to borrow RMB650,000,000 at an annual interest rate of 3%. During the six months ended 30 June 2018, the Group recognised interest expense of RMB8,500,000 and repaid principal of RMB5,000,000 of this loan. The remaining loan balance was set off against the consideration from the Group's disposal of Five Seasons Cultural during the current interim period. On 13 March 2017, the Group entered into an agreement with Fullshare Value Fund I L.P to borrow US$53,739,000 (equivalent to RMB370,558,000) at an annual interest rate of 8%. The interest expense recognised in the current interim period was RMB9,430,000 (six months ended 30 June 2017: RMB8,834,000). During the six months ended 30 June 2018, the Group repaid principal of US$2,000,000 (equivalent to RMB12,953,000) and interest of US$4,299,000 (equivalent to RMB27,943,000).

(vi) The Group entered into several contracts with Magnolia Wealth to: (a) borrow an interest-free loan of US$88,800,000 (equivalent to RMB561,008,000) on 3 April 2018 with the maturity date of 31 March 2019, (b) borrow an interest-free loan of HK$179,007,000 (equivalent to RMB145,842,000) on 14 June 2018 with the maturity date of 15 June 2019, (c) borrow an interest-free loan of HK$224,000,000 (equivalent to RMB198,465,000) on 2 May 2017, which has been fully repaid before 30 June 2018, (d) borrow an interest-free loan of HK$680,000,000 (equivalent to RMB594,419,000) on 9 June 2017 and the Group repaid principal of HK$80,500,000 (equivalent to RMB66,335,000) during the six months ended 30 June 2018.

(vii) 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, a controlling shareholder and a director of the Company.

25. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

(i) At 30 June 2018, the Group provided financial guarantees to the Group's associate, Nanjing Gaochuan in favour of Nanjing Gaochuan's bank loans of RMB300,000,000 (31 December 2017: RMB320,000,000).

(ii) At 30 June 2018, the Group provided guarantees to the Group's associate, Jiansheng in favour of Jiansheng's entrusted loans of RMB420,000,000 (31 December 2017: RMB420,000,000), which will be matured on or before 25 April 2020.

(iii) On 22 December 2017, the Group entered into an agreement to dispose of its 31.75% equity interest in Shenzhen Anke High-Tech Company Limited*（深圳安科高技術股份有限公司）("**Shenzhen Anke**") to a key management of Shenzhen Anke and certain entities controlled by the key management personnels of Shenzhen Anke. At 30 June 2018, the Group provided guarantees to Shenzhen Anke in favour of Shenzhen Anke's bank loans of RMB68,800,000 (31 December 2017: RMB73,200,000), which will be matured on or before 2 November 2018.

(iv) On 13 June 2018, the Group's subsidiary entered into a pledged agreement with a bank pursuant to which the Group's subsidiary agreed to pledge its shopping mall as security for the bank loan of RMB710 million granted to Nanjing Jiangong Group Co. Ltd.*（南京建工集團有限公司）("**Nanjing Jiangong**"), an entity in which the brothers of Mr. Ji controlled. The loan will be matured on or before 5 September 2021.

On the same day, Mr. Ji and Nanjing Jiangong each executed a guarantee letter in favour of the Group, pursuant to which (1) Mr. Ji undertook that before the loan granted to Nanjing Jiangong is fully repaid or the pledge is released, the Company could refuse to repay the balance of loans granted by Mr. Ji or any entities controlled by him to the Company of not less than HK$900 million. Accordingly, a loan due to Mr. Ji amounting to approximately RMB710 million was reclassified from current liability to non-current liability; (2) Nanjing Jiangong would provide the Group with a fee equivalent to 3% of the principal amount of the loan.

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25. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	**6,716**	8,677
Post-employment benefits	**162**	128
Total compensation paid to key management personnel	**6,878**	8,805

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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26. FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is an overview of financial assets held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Financial assets at amortised cost:		
Cash and cash equivalents	**3,100,480**	5,221,679
Pledged bank deposits	**3,678,458**	2,894,031
Restricted bank deposits	**–**	216,461
Structured bank deposits	**–**	110,000
Trade and bills receivables	**4,485,761**	6,650,273
Financial assets included in prepayments, deposits and other receivables	**2,033,429**	1,602,877
Consideration receivables	**519,550**	149,216
Loan receivables	**4,731,641**	3,325,751
Financial assets at FVOCI:		
Listed equity investments	**931,824**	–
Unlisted equity investments	**3,045,935**	–
Bills receivables	**2,285,301**	–
Available-for-sale investments:		
Unlisted equity investments	**–**	4,303,784
Listed equity investments	**–**	590,393
Financial assets at FVPL:		
Financial assets held for trading	**–**	7,242,057
Other financial assets and derivatives	**538,388**	–
Listed equity investments	**8,422,665**	–
Unlisted debt investments	**2,386,300**	–
Financial assets designated as at fair value through profit or loss	**–**	689,712
Total	**36,159,732**	32,996,234

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26. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Financial liabilities at amortised cost:		
Trade and bills payables	**7,574,705**	6,814,951
Financial liabilities included in other payables and accruals	**1,800,583**	1,703,658
Acquisition consideration payables	**248,694**	–
Corporate bonds	**2,420,208**	1,919,988
Bank and other borrowings	**11,941,056**	12,052,441
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**–**	95,489
Total	**23,985,246**	22,586,527

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27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Financial assets				
Available-for-sale investments:				
Listed equity investments	**–**	590,393	**–**	590,393
Financial assets at FVOCI	**6,263,060**	–	**6,263,060**	–
Loan receivables	**4,731,641**	3,325,751	**4,731,641**	3,347,115
Financial assets designated as at fair value through profit or loss	**–**	689,712	**–**	689,712
Financial assets at FVPL	**11,347,353**	–	**11,347,353**	–
Financial assets held for trading	**–**	7,242,057	**–**	7,242,057
	22,342,054	11,847,913	**22,342,054**	11,869,277
Financial liabilities				
Derivative financial instruments	**–**	95,489	**–**	95,489
Corporate bonds	**2,420,208**	1,919,988	**2,420,208**	1,919,988
Bank and other borrowings	**11,941,056**	12,052,441	**11,883,412**	12,168,355
	14,361,264	14,067,918	**14,303,620**	14,183,832

The directors of the Company consider the carrying amounts of all financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

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.

Interim Condensed Consolidated Financial Statements

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair value of loans receivables, bank and other borrowings have been calculated by discounting the expected future cash flow using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as at 30 June 2018 was assessed to be insignificant.

The fair values of financial assets held for trading and the listed equity investments are derived from quoted market prices in active markets.

The fair values of financial assets designated as at fair value through profit or loss, certain unlisted debt investments, bills receivables, other financial assets and derivatives included in financial assets at FVPL were determined by using the discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

The fair values of unlisted equity investments and certain unlisted debt investments are estimated using an appropriate combination of:

1. making reference to recent market transaction prices of similar deals; and
2. making reference to investment portfolios of the specific investment funds and management information; and
3. making reference to valuations performed by third parties which applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments; and
4. taking into consideration the capital and income guarantees provided by, or contractual arrangements made with, other investors to the Group's investment portion in certain unlisted debt investments; and
5. taking into consideration some unobservable inputs such as discount for lack of marketability, market multiples, volatility of share price of similar listed companies, discount rate and interest rate.

The fair value of derivative financial instruments as at 31 December 2017 was determined based on the differences of contracted price and quoted market prices of the underlying instruments traded in active markets.

Interim Condensed Consolidated Financial Statements

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Financial assets at FVPL:				
Other financial assets and derivatives	–	538,388	–	538,388
Listed equity investments	8,422,665	–	–	8,422,665
Unlisted debt investments	–	449,989	1,936,311	2,386,300
Financial assets at FVOCI:				
Listed equity investments	931,824	–	–	931,824
Unlisted equity investments	–	–	3,045,935	3,045,935
Bills receivables	–	2,285,301	–	2,285,301
	9,354,489	3,273,678	4,982,246	17,610,413

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27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited)	**Significant observable inputs (Level 2) (Audited)**	**Significant unobservable inputs (Level 3) (Audited)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
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 fair value through profit or loss	–	689,712	–	689,712
	7,832,450	689,712	–	8,522,162

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27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) RMB'000	**Significant observable inputs (Level 2) (Audited)** RMB'000	**Significant unobservable inputs (Level 3) (Audited)** RMB'000	**Total (Audited)** RMB'000
Derivative financial instruments	–	95,489	–	95,489

Assets for which fair value disclosed are different from carrying amounts:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	**Significant observable inputs (Level 2) (Unaudited)** RMB'000	**Significant unobservable inputs (Level 3) (Unaudited)** RMB'000	**Total (Unaudited)** RMB'000
Loan receivables	–	3,347,115	–	3,347,115

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27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair value disclosed are different from carrying amounts:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Bank and other borrowings	**–**	**11,883,412**	**–**	**11,883,412**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	Total (Audited) RMB'000
Bank and other borrowings	–	12,168,355	–	12,168,355

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2017: nil).

Interim Condensed Consolidated Financial Statements

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments RMB'000	Unlisted debt investments RMB'000	Total RMB'000
At 1 January 2018 – after adoption of HKFRS 9	2,948,885	1,458,554	4,407,439
Total gains recognised in:			
– profit or loss	–	41,055	41,055
– other comprehensive income	92,050	–	92,050
Purchases	5,000	700,000	705,000
Disposals	–	(269,500)	(269,500)
Exchange difference	–	6,202	6,202
At 30 June 2018	3,045,935	1,936,311	4,982,246

Interim Condensed Consolidated Financial Statements

28. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 July 2018, the Company adopted a share award scheme (the "**Share Award Scheme**") and resolved to propose the adoption of a share option scheme (the "**Share Option Scheme**") in order 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.

Pursuant to the Share Award Scheme, the trustee appointed by the Company for the administration of the Share Award Scheme will purchase the shares from open market ("**Award Shares**") with cash to be paid by the Company to the trustee. The Award Shares would be held on trust by trustee for the eligible employees of the Group selected by the Board or the shareholders at general meeting until such Award Shares are vested. The Share Award Scheme shall be valid for five years commencing from 7 July 2018.

The Share Option Scheme will remain in force for a period of five years commencing from 17 August 2018, the date on which the Share Option Scheme was approved by the Shareholders.

Details of the Share Award Scheme and Share Option Scheme are set out in the announcement and circular of the Company dated 7 July 2018 and 30 July 2018 respectively.

As at the date of approval of the interim condensed consolidated financial statements, no Award Shares or options were granted to the eligible participants.

Interim Condensed Consolidated Financial Statements

28. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 30 June 2018, Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) entered into a framework agreement ("**Framework Agreement**") with Neoglory Prosperity Inc.*（新光圓成股份有限公司）, a PRC company listed on the Shenzhen Stock Exchange (002147. SZSE) ("**Potential Offeror**") in relation to the possible sale and purchase of Five Seasons XVI Limited's direct shareholding interests in CHS that would represent more than 51% but not exceeding 73.91% of the issued share of CHS ("**Possible Sale and Purchase**") at a provisional transfer price range of RMB9.99 to RMB11.25 per share of CHS. Pursuant to the Framework agreement, the Potential Offeror expects CHS to dispose of certain subsidiaries, associates and investment of CHS which are principally engaged in non-gear businesses (the "**Possible CHS Disposal**") before completion of the Possible Sale and Purchase. The Framework Agreement shall terminate on the earlier of (i) 30 September 2018; (ii) the date on which a formal sale and purchase agreement is entered into by the relevant parties; or (iii) the date on which the Potential Offeror terminates the Possible Sale and Purchase by notice in writing to the Company and Five Seasons XVI Limited. Details of the Framework Agreement are set out in the announcements dated 30 June 2018 and 2 August 2018. As at the date of approval of the interim condensed consolidated financial statements, the discussion between all parties are still on-going. No commitment or any formal or legally binding agreement has been reached or entered into, nor any material terms and conditions in respect of the Possible Sale and Purchase have been agreed.

In respect of the Possible CHS Disposal, the Group has entered into the following agreements subsequent to the reporting period:

(i) On 19 July 2018, Nanjing Drive, a wholly owned subsidiary of CHS, has entered into a sale and purchase agreement with Nanjing Jundi Electromechanical Equipment Limited（南京駿迪機電設備有限公司）("**Nanjing Jundi**"), an independent third party, regarding the disposal of its 75% equity interest in Beijing Zhongchuan Shougao Metallurgical Engineering & Equipment Co., Ltd.*（北京中傳首高冶金成套設備有限公司）at a nominal consideration of RMB1. The consideration was fully received.

Interim Condensed Consolidated Financial Statements

28. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) (continued)

(ii) On 25 July 2018, Nanjing Drive has entered into a sale and purchase agreement with Datong Haode Equipment Leasing Limited*（大同市浩德設備租賃有限公司）, an independent third party, regarding the disposal of its 15% equity interest in E'er Duo Si Shenchuan Mining Equipment Manufacturing Company Limited*（鄂爾多斯市神傳礦用設備製造有限公司）at a cash consideration of RMB2,150,000. The consideration was fully received.

(iii) On 25 July 2018, Nantong Zhenhua Hongsheng Heavy Forgery Machine Corporation Ltd.（南通市振華宏晟重型鍛壓有限公司）, a non-wholly owned subsidiary of CHS, has entered into a building and land transfer agreement with Rugao Hongmao Heavy Forgery Machine Corporation Ltd.（如皋市宏茂重型鍛壓有限公司）, an independent third party, regarding the disposal of its land use rights located at Nantong City, Jiangsu Province together with the building thereon at a cash consideration of RMB104,000,000. Consideration of RMB34,000,000 has been received and the remaining RMB70,000,000 will be payable within 1 year after signing of the building and land transfer agreement.

As at the date of approval of interim condensed consolidated financial statements, all transactions as part of the Possible CHS Disposal as mentioned above ("**Restructuring Transactions**") have not been completed. Details of the Restructuring Transactions are set out in announcement dated 2 August 2018.

29. COMPARATIVE AMOUNTS

During the current interim period, certain comparative figures included in the interim condensed consolidated statement of profit or loss and other comprehensive income in respect of the six months ended 30 June 2017 have been reclassified to conform with the presentation of Group's FS 2017 and current interim period.

30. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim financial information was approved and authorised for issue by the board of directors on 31 August 2018.

Additional Information Required by the Listing Rules

BUSINESS REVIEW

During the six months ended 30 June 2018 (the "**Period Under Review**"), the revenue of the Fullshare Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") was derived from property, tourism, investment and financial services, healthcare and education and new energy businesses.

(1) Property business

(a) Property sales

During the Period Under Review, the Group had contracted sales of approximately Renminbi ("**RMB**") 34,964,000, representing a decrease of approximately 96% as compared with the six months ended 30 June 2017 (the "**Corresponding Period of 2017**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 2,346 sq.m., representing a decrease of approximately 96% as compared with the Corresponding Period of 2017. As at 30 June 2018, the Group's contracted sales for the contracts signed which properties were not yet delivered were approximately RMB193,191,000 with a total GFA of 12,358 sq.m.. The decrease in contracted sales and GFA was mainly due to substantial completion of sales for ZhuGong*（諸公）Project and Amber Garden*（琥珀花園）Project in 2017 while the construction progress of other projects has still not yet fulfilled the conditions of pre-sale. During the Period Under Review, average contracted selling price was approximately RMB14,905 per sq.m., representing a decrease of approximately 11% as compared with the Corresponding Period of 2017.

Additional Information Required by the Listing Rules

As at 30 June 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.)	Accumulated contracted sales GFA (sq.m.)	Interest attributable to the Group
Yuhua Salon (雨花客廳) A1	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and commercial project	Completed	Completed	33,606	80,160	–	49,253	100%
Yuhua Salon (雨花客廳) A2	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Hotel and office project	Under construction	Second quarter of 2019	30,416	–	81,380	–	100%
Yuhua Salon (雨花客廳) C South	East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and commercial project	Completed	Completed	42,639	113,047	–	66,476	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	133,150	–	65,799	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	214,538	–	165,380	100%
Kunshan Herong (昆山和融)	North to Chinese Garden Road, West to Huangshan Road, Development District, Kunshan, the PRC	Residential project	Under construction	Third quarter of 2018	48,553	96,140	49,850	40,591	100%
					283,756	637,035	131,230	387,499	

Additional Information Required by the Listing Rules

(b) Investment properties

As at 30 June 2018, the investment properties of the Group mainly included Wonder City*（虹悅城）, 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）and Zhenjiang Youshan Meidi Garden Project*（鎮江優山美地花園項目）.

	Address	Existing use	Term of contract	GFAGFA (sq.m.)	Interest attributable to the Group
Nanjing					
Nanjing Wonder City（虹悅城）	No. 619 Yingtian Da Jie, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Shopping mall	Medium-term covenant	100,605	100%
Yuhua Salon（雨花客廳）(certain units)	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and shopping mall	Medium-term covenant	90,813	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%

Additional Information Required by the Listing Rules

(c) Green building services and entrusted construction services

During the Period Under Review, the Group engaged in provision of technical design and consulting services, green management services and entrusted construction services in the PRC. During the Period Under Review, the revenue from both green building services and entrusted construction services was approximately RMB45,606,000 (six months ended 30 June 2017: RMB49,323,000).

(2) Tourism business

The tourism business of the Group includes the Laguna project and the Sheraton 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. During the Period Under Review, 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.

During the Period Under Review, the revenue from tourism business was approximately RMB68,168,000 (six months ended 30 June 2017: RMB65,431,000).

Additional Information Required by the Listing Rules

(3) Investment and financial services business

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

(a) Listed equity investments

The portfolio of listed equity investments of the Group held for trading purpose as at 30 June 2018 and 31 December 2017 is set out as follows:

As at 30 June 2018

Stock code	Name	Number of shares held (Note 3)	Effective shareholding interest as at 30 June 2018	Acquisition cost RMB'000	Carrying amount as at 30 June 2018 RMB'000	Unrealised holding gain/(loss) arising on revaluation for the period ended 30 June 2018 RMB'000	Realised (loss) arising from disposal for the period ended 30 June 2018 RMB'000	Dividend received/ receivable for the period ended 30 June 2018 RMB'000
153.HK (Note 1)	China Saite Group Company Limited	203,800,000	8.74%	95,024	89,643	(6,662)	–	–
1908.HK (Note 1)	C&D International Investment Group Limited	60,000,000	8.16%	218,666	386,737	35,955	–	14,892
2098.HK (Note 1)	Zall Smart Commerce Group Ltd. ("**Zall Group**")	949,224,000	8.13%	947,452	7,611,782	741,154	–	20,181
8307.HK (Note 1)	Medicskin Holdings Limited	80,000,000	16.65%	45,334	34,512	(5,886)	–	–
833581.NE (Note 2)	CH-AUTO Technology Corporation Ltd	28,301,000	4.61%	299,991	299,991	–	–	–
					8,422,665	764,561	–	35,073

Notes:

1. The 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.

Additional Information Required by the Listing Rules

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 (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 ("**Nanjing Sinolife**")	0 (Note 3)	0.00%	65,375	–	–	(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.

3. The Group completed the disposal of 45,411,600 H shares of Nanjing Sinolife at the consideration of approximately HK$73,113,000 on 18 October 2017.

Additional Information Required by the Listing Rules

The performance and prospect of the Group's major investment during the Period Under Review are as follow:

Zall Group

Zall Group is a China-based investment holding company principally engaged in the development and operation of shopping malls, management of supply chains, provision of e-commerce services and others. Zall Group mainly operates through three segments. The property development and related services segment is mainly engaged in the development and operation of shopping malls. The e-commerce and financial services segment is engaged in the provision of financial services including supply chain finance, guarantees, financial leasing, factoring and assets management. The supply chain management and trading segment is engaged in the operation of trading of agricultural products and non-ferrous metals. The Group held approximately 949,224,000 shares in Zall Group, representing approximately 8.13% of its entire issued capital as at 30 June 2018 (31 December 2017: 8.16%). The carrying amount of the investment in Zall Group accounted for approximately 13% of the Group's total assets as at 30 June 2018 (31 December 2017: 12%). The Group believes that Zall Group's growth momentum remains strong and expects the Group's investment in Zall Group to continue to generate a return for the Group.

(b) Other investments

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

Additional Information Required by the Listing Rules

(c) Investment and financial related consulting services

The Group offers various investment and financial related services via a well developed group of companies (referred to as "**Baoqiao Group**") to clients including listed companies, individuals and financial institutions. Such services include corporate finance, investment management, equity capital markets and money lending services. During the Period Under Review, the investment and financial related consulting services business provided by Baoqiao Group has contributed revenue amounting to approximately RMB5,059,000 (six months ended 30 June 2017: RMB37,732,000) to the Group.

During the Period Under Review, this segment recorded a profit of approximately RMB1,009,648,000 (six months ended 30 June 2017: loss of approximately RMB1,279,926,000). The unrealised gain before tax from change in fair value of the listed securities held for the Period Under Review of approximately RMB764,561,000 (six months ended 30 June 2017: unrealised loss before tax of approximately RMB1,321,365,000) was mainly attributable to price changes of Zall Group. The gain from unrealised fair value changes after tax of the financial instruments at fair value through other comprehensive income and available-for-sale investments was approximately RMB97,345,000 (six months ended 30 June 2017: loss of approximately RMB78,553,000). As at 30 June 2018, the total amount of financial assets at fair value through profit or loss, financial assets designated as at fair value through profit or loss and financial assets held for trading was approximately RMB11,347,353,000 (31 December 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 RMB6,263,060,000 (31 December 2017: RMB4,894,177,000).

Additional Information Required by the Listing Rules

(4) Healthcare and education business

During the Period Under Review, the Group continued to identify appropriate investment opportunities to inject new impetus for the sustainable development of healthcare and education businesses. The revenue of healthcare and education segment was RMB117,136,000 (six months end 30 June 2017: RMB323,267,000).

(5) New energy segment

The segment is principally engaged in research, design, development, manufacture and distribution of various types of mechanical transmission equipment for a broad range of applications in wind power generation and industrial use. During the Period Under Review, the new energy business recorded sales revenue of approximately RMB3,466,794,000 (six months ended 30 June 2017: RMB3,894,207,000), representing a decrease of approximately 11.0% as compared with the Corresponding Period of 2017.

(a) Gear business

(i) Wind gear transmission equipment

The wind gear transmission equipment is a major product that was developed by the Group. During the Period Under Review, sales revenue of wind gear transmission equipment business decreased by approximately 14.4% to approximately RMB2,746,132,000 (six months ended 30 June 2017: RMB3,208,896,000) as compared with the Corresponding Period of 2017. The decrease in revenue was mainly due to the decline in deliveries of wind gear transmission equipment during the Period under Review.

Additional Information Required by the Listing Rules

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 gear transmission equipment which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind power gear boxes to customers, the Group has also successfully developed 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 both in the PRC and abroad. The Group has wholly-owned subsidiaries in the US, Germany, Singapore, Canada and India to support the sustainable development strategy of the Group and to strive to have closer communication and discussion with potential overseas customers, with a view to providing further diversified services for global customers.

(ii) *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.

Additional Information Required by the Listing Rules

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 are 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, 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.

During the Period under Review, the industrial gear business segment generated sales revenue of approximately RMB601,515,000 for the Group (six months ended 30 June 2017: RMB525,783,000), representing an increase of 14.4% as compared with the Corresponding Period of 2017.

Additional Information Required by the Listing Rules

(b) Computer numerical controlled ("CNC") machine tool products

CNC machine tool is the core equipment of the equipment manufacturing industry. Due to the sophistication of the application of machine tools in heavy equipments, the international markets of machine tools are dominated by a few manufacturers.

During the Period under Review, CNC machine tool products generated sales revenue of approximately RMB24,561,000 (six months ended 30 June 2017: RMB25,309,000), representing a decrease of 3.0% as compared with the Corresponding Period of 2017.

(c) Diesel engine products

The products of the Group cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines. The products are widely used in fishing vessels, inland river vessels, generating units, engineering machinery, agricultural irrigation and drainage facilities, air compression equipment and other ancillary machines. The Group possessed the proprietary intellectual property rights and the products were recognised as "Famous Brand Product of China Fishery Vessel & Machine Field", "China's Key New Product", "Jiangsu Province Key Protective Product" and "Jiangsu Province Credit Product". The Group was also awarded "Scientific & Technological Progress Prize of State Mechanical Industry".

Recovery in shipping industry was faltered because the global economy remained uncertain. During the Period under Review, the Group's sales revenue from diesel engines products amounted to approximately RMB52,457,000 (six months ended 30 June 2017: RMB52,229,000), representing an increase of 0.4% as compared with the Corresponding Period of 2017.

Additional Information Required by the Listing Rules

Local and export sales

During the Period under Review, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Period under Review, the overseas sales amounted to approximately RMB1,145,584,000 (six months end 30 June 2017: RMB1,525,736,000), representing a decrease of 24.9% as compared with the Corresponding Period of 2017. Overseas sales accounted for 33.0% of total sales (six months end 30 June 2017: 39.2%), representing a decrease of 6.2 percentage points over the Corresponding Period of 2017. At present, the overseas customers of the Group are based mainly in the U.S. and other countries and regions such as Europe, India and Japan. Although the economic conditions in Europe and the U.S. were yet to be fully recovered during the Period under Review, the Group introduced different types of products in order to extend its coverage to the overseas markets.

PROSPECT

In the second half of 2018, stable development remains to be the Company's management and operation strategy, and the Company will adhere to the integrity and win-win principles to continue to pursue its platform-oriented and international development of the healthy tourism industry. Meanwhile, the Company will keep on intensifying its exploration and research on healthy tourism, health services, cultural tourism and tourism property, optimizing the industrial chain of healthy lifestyle and integrating its resources to achieve higher returns on investment for its shareholders and co-operative partners.

The principal target of the Company's business operation remains to achieve revenue and profit growth. The Company will continue to conduct investment and financing activities with prudence, reasonably monitor the proportion of equity financing and debt financing both in the PRC and abroad, regulate capital utilization and enhance the effectiveness of usage of capital, under the guidance of healthy financial management policies. The Company always conducts corporate governance with a prudent, open and transparent attitude and always regards risk control as the primary concern, aiming at enhancing its risk resistance capability.

Additional Information Required by the Listing Rules

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 actions to mitigate the potential impact. The Group established the Risk Management Committee and risk management team to conduct risk control in various aspects, including strategic development, investment decision, corporate operation and capital planning, to closely monitor potential risks and to prepare its risk management plans accordingly. The summary of the Group's principal risks and risk management is set out as follows:

(1) Macro-economic environment

The Group is currently engaged in real estate business, and holds financial assets for investment, tourism business and grand health business purpose 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: The Chinese government adheres to its overall strategy of making steady progress and focusing on supply-side reform to put forth innovative and optimize macroeconomic control, maintains its economic development within reasonable range and achieves a stable and upward trend. 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.

The Government Work Report stated that the monetary policy in 2018 should be prudent and unbiased. The growth rate for broad money (M2) and balance of scale of social financing are expected to be around 12%. Monetary policy tools should be used comprehensively to maintain the basic stability of liquidity.

The Group will closely monitor domestic and overseas financial markets, combine equity financing with debt financing, adopt diversified financing methods, and manage the debt assets ratio of the Company to ensure effective control over the financial risk of the Group.

Additional Information Required by the Listing Rules

(2) Policy and financial influence

As our businesses are mainly concentrated in China, our results performance is affected by China's policies. In recent years, for the real estate industry, the Chinese government implemented house-purchase restrictions, adjusted the housing mortgage rate and tightened real estate credit policy, regulating these aspects in broader range. It aimed at cracking down speculative real estate investments to further stabilize housing prices. The tightening policy may exert house buying and financing costs for customers and affect the capital needs of enterprises in real estate industry.

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 is aimed at residential property and has less impact on commercial property. On one hand, the Group will continue to monitor the government policy direction in the real estate market, enhance assets management and flexibly adjust marketing schemes and sales process. The Group will also combine the health and real estate business together, actively exploit 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. On the other hand, the Group will explore new financing means, make innovative financing activity and revitalize the inventory and asset to handle the tightening credit policy in real estate industry.

(3) Market competition

The real estate market in China is highly competitive. The areas that are in competition include 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: By leveraging on our extensive experience on real estate development, healthcare sector and green building service, the Group strives to continue improving its products quality and cost control to provide healthier and easier lifestyle for customers. The Group expects that at the current industry consolidation stage, through improving product and service quality, the Group can better enhance the market demand for the products and services of the Group.

Additional Information Required by the Listing Rules

(4) Investment concentration risk

The investment business of the Group mainly involves holding the shares in various companies listed in Hong Kong. As at 30 June 2018, the shares of one company held by the Group were valued at approximately RMB7,611,782,000, representing nearly 27% of the Group's net assets. As such, the price change of such shares may generate a significant 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 price fluctuation of the company in which the Group holds shares, and will adjust promptly the proportion of investment portfolio. At the same time, the Group will also actively identify the investment products which are beneficial to the Group to reduce the risks arising therefrom.

(5) Changes in exchange rates

The current operating currency of the Group is RMB, but the financial assets held 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 in 2018 stated that it will deepen the reform of interest exchange rates marketization this year and 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.

Additional Information Required by the Listing Rules

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately RMB950,977,000, or 20%, from approximately RMB4,834,865,000 for the Corresponding Period of 2017 to approximately RMB3,883,888,000 for the Period Under Review. The revenue for the Period Under Review was derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment of approximately RMB226,731,000, RMB68,168,000, RMB5,059,000, RMB117,136,000 and RMB3,466,794,000 respectively, and the revenue in the Corresponding Period of 2017 was derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment of approximately RMB514,228,000, RMB65,431,000, RMB37,732,000, RMB323,267,000 and RMB3,894,207,000 respectively.

The revenue of the properties segment decreased by approximately RMB287,497,000, or 56%, as compared to the Corresponding Period of 2017. The properties segment includes investment, development and sales of properties and provision of construction related services. The revenue decreased was mainly due to the decrease in sales of properties by approximately RMB313,261,000, from approximately RMB391,342,000 in the Corresponding Period of 2017 to approximately RMB78,081,000 for the Period Under Review. Fewer properties were delivered because certain projects are still in construction stage and the Group only made sales of the residual units of completed projects during the Period Under Review.

The revenue of the tourism segment was mainly derived from a hotel operated in Australia. The revenue increased by approximately RMB2,737,000, or 4% as compared to the Corresponding Period of 2017.

The revenue of the investment and financial services segment decreased by approximately RMB32,673,000, or 87%. This was mainly because there was larger scales of service project in the Corresponding Period of 2017, while no such similar size project was secured for the Period Under Review.

Additional Information Required by the Listing Rules

The revenue of the healthcare and education segment decreased by approximately RMB206,131,000, or 64%, which was mainly due to the disposal of Shenzhen Auke High-Tech Company Limited*（深圳安科高技術股份有限公司）(“**Shenzhen Anke**”) and its subsidiaries (“**Shenzhen Anke Group**”) in December 2017. Shenzhen Anke Group is principally engaged in medical equipment assembly and sale.

The revenue of the new energy segment decreased by approximately RMB427,413,000, or 11%, which was mainly due to the decline in deliveries of wind gear transmission equipment.

Cost of sales

The cost of sales of the Group decreased by approximately RMB641,031,000, or 18%, from approximately RMB3,635,163,000 for the Corresponding Period of 2017 to approximately RMB2,994,132,000 for the Period Under Review. The cost of sales for the Period Under Review derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment were approximately RMB81,883,000, RMB91,416,000, RMB921,000, RMB105,495,000 and RMB2,714,417,000 respectively, whereas the cost of sales in the Corresponding Period of 2017 derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment were approximately RMB262,635,000, RMB89,016,000, RMB1,832,000, RMB248,946,000 and RMB3,032,734,000 respectively.

The cost of sales for the properties segment decreased by approximately RMB180,752,000, or 69% as compared to the Corresponding Period of 2017, which was mainly due to the decrease in the properties projects delivered for the Period Under Review.

Cost of sales of the tourism segment slightly increased by approximately RMB2,400,000, or 3% as compared to the Corresponding Period of 2017.

Cost of sales of the investment and financial services segment decreased by approximately RMB911,000, or 50% as compared to the Corresponding Period of 2017.

Cost of sales of the healthcare and education segment decreased by approximately RMB143,451,000, or 58% as compared to the Corresponding Period of 2017, which was mainly because the disposal of Shenzhen Anke Group in December 2017 as mentioned above.

Additional Information Required by the Listing Rules

The cost of sales of the new energy segment includes the impact of the accounting adjustment of approximately RMB47,124,000 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.（中國高速傳動設備集團有限公司*）("**CHS**") in late 2016. If this accounting adjustment was excluded, the cost of sales would be approximately RMB2,667,293,000. The cost of sales after excluding such consolidated adjustment was approximately RMB2,696,370,000 in the Corresponding Period of 2017 which represents a slight decrease by approximately RMB29,077,000, or 1%.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately RMB309,946,000, or 26%, from approximately RMB1,199,702,000 in the Corresponding Period of 2017 to approximately RMB889,756,000 for the Period Under Review. The gross profit margin decreased from 25% in the Corresponding Period of 2017 to 23% for the Period Under Review. The gross profit of the Group was mainly derived from properties segment and new energy segment. The gross profit and gross profit margin for the Period Under Review derived from the properties segment and new energy segment were approximately RMB144,848,000 and 64%, and RMB752,377,000 and 22% respectively. The gross profit and gross profit margin in the Corresponding Period of 2017 derived from the properties segment and new energy segment were approximately RMB251,593,000 and 49%, and RMB861,473,000 and 22% respectively. The decrease in gross profit of the properties segment was mainly attributable to the decrease in delivered properties as compared with that in the Corresponding Period of 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 of the new energy segment was due to the decline in selling price of certain products and increase in cost of sales. However, the gross profit margin remained unchanged, it was due to the consolidated adjustment which adjusted up the cost of sales during the Period Under Review was smaller than the Corresponding Period of 2017.

Additional Information Required by the Listing Rules

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 gain on change in fair value of financial instruments of approximately RMB855,181,000 for the Period Under Review, as compared to a loss on change in fair value of approximately RMB1,329,786,000 in the Corresponding Period of 2017. The fair value gain mainly derived from listed equity investments. The Group recorded a turnaround in its fair value from loss to gain was mainly due to price rise of approximately 949,000,000 shares of Zall Group held by the Group. Besides, the listed securities held by the Group also generated dividend returns. The Group will closely monitor its investment performance and will adjust its investment plan and portfolio when necessary.

Other income and gains/losses, net

Other income and gains/losses, net decreased by approximately RMB287,546,000, or 40%, from approximately RMB721,659,000 in the Corresponding Period of 2017 to approximately RMB434,113,000 for the Period Under Review. Other income and gains/losses, net for the Period Under Review mainly included other investment income of approximately RMB161,226,000 and other interest income of approximately RMB195,610,000. Other income and gains/losses, net in the Corresponding Period of 2017 mainly included gain from land resumption of approximately RMB122,283,000, change in fair value of properties held for trading transferred to investment properties of approximately RMB431,920,000 and other interest income of approximately RMB56,859,000.

Other expenses

Other expenses decreased by approximately RMB19,062,000, or 21%, from approximately RMB90,110,000 in the Corresponding Period of 2017 to approximately RMB71,048,000 for the Period Under Review. Other expenses for the Period Under Review mainly included impairment of an associate of approximately RMB66,000,000. Other expenses in the Corresponding Period of 2017 mainly included impairment of trade and bills receivables and other receivables of approximately RMB90,110,000.

Additional Information Required by the Listing Rules

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately RMB38,916,000, or 16%, from approximately RMB240,136,000 in the Corresponding Period of 2017 to approximately RMB201,220,000 for the Period Under Review, which was mainly due to the selling and distribution expenses of certain disposed subsidiaries in year 2017 not being included in the Period Under Review. Meanwhile, the decline in sales revenue from new energy segment resulted in a corresponding decrease in the related selling expenses, such as product packaging expenses and transportation expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately RMB29,650,000, or 4%, from approximately RMB673,947,000 in the Corresponding Period of 2017 to approximately RMB644,297,000 for the Period Under Review. The administrative expenses for the Period Under Review mainly included salaries and staff welfare, professional fees and research and development expenses. No material fluctuation recorded for both periods.

Finance costs

Finance costs of the Group increased by approximately RMB175,576,000, or 54%, from approximately RMB323,979,000 in the Corresponding Period of 2017 to approximately RMB499,555,000 for the Period Under Review, which was mainly due to the higher average borrowing amount of the Group for the Period Under Review than in the Corresponding Period of 2017.

Loss/gain on disposal of subsidiaries

During the Period Under Review, the Group completed the disposal of the 100% equity interest of Fullshare Healthcare Limited（豐盛健康有限公司）at a total consideration of RMB1,093,000, and recorded a loss before tax of approximately RMB5,258,000.

Additional Information Required by the Listing Rules

During the Corresponding Period of 2017, the Group completed the disposal of 80% equity interest in Nanjing Tianyun Real Estate Development Company Limited*（南京天韻房地產開發有限公司）at a total consideration of RMB787,000,000 and recorded a gain before tax of approximately RMB29,297,000.

Share of profits and losses of joint ventures and associates

During the Period Under Review, the Group recorded net losses of approximately RMB11,209,000 and RMB7,256,000 from its joint ventures and associates respectively. The share of losses from joint ventures mainly derived from Fullshare Value Fund I L.P., a company principally engaged in investment holding.

During the Corresponding Period of 2017, the share of net gains from its joint ventures and associates was approximately RMB78,395,000 and RMB56,739,000 respectively. The share of profits from joint ventures mainly derived from Five Seasons Cultural Tourism Development Company Limited, a company principally engaged in provision of cultural and tourism service; and Nanjing Dongbang Equipment Co., Ltd*（南京動邦裝備有限公司）, a company principally engaged in engineering processing and manufacture of machine. The share of profits of associates during the Corresponding Period of 2017 mainly derived from Applied Development Holdings Limited, a company principally engaged in resort and property development.

Income tax expense

For the Period Under Review, the corporate income tax ("**CIT**") expense, the land appreciation tax ("**LAT**") expense and the deferred tax expense of the Group amounted to approximately RMB75,972,000, RMB7,130,000 and RMB108,142,000, respectively, and in the Corresponding Period of 2017, the CIT expense, the LAT expense and the deferred tax credit amounted to approximately RMB198,897,000, RMB20,822,000 and RMB253,870,000, respectively.

The CIT expense for the Period Under Review decreased by approximately RMB122,925,000 as compared to the Corresponding Period of 2017, which was mainly due to less profit generated from the properties and new energy segments than the Corresponding Period of 2017.

The LAT expense for the Period Under Review decreased by approximately RMB13,692,000 as compared to the Corresponding Period of 2017, which was mainly due to the decrease of properties sales for the Period Under Review.

Additional Information Required by the Listing Rules

The deferred tax expense for the Period Under Review was mainly derived from the provision for the fair value gains in financial instruments of approximately RMB150,076,000 and reversal of deferred tax liabilities of approximately RMB22,811,000 recognised at the date of acquisition of CHS when the inventories were sold and non-current assets were depreciated and amortised. The deferred tax credit in the Corresponding Period of 2017 was mainly derived from the fair value loss in financial instruments of approximately RMB218,025,000 and deferred tax credit from reversal of deferred tax liabilities of approximately RMB91,142,000 recognised at the date of acquisition of CHS when the inventories were sold and non-current assets were depreciated and amortised and the deferred tax expenses of approximately RMB107,980,000 provided for the gain on fair value change in transferring properties held for sale to investment properties.

Profit/loss for the Period Under Review

For the Period Under Review, the Group recorded a profit after tax of approximately RMB547,963,000. Excluding the net loss on disposal of subsidiaries of approximately RMB5,258,000, the net profit recorded by the Group for the Period Under Review was approximately RMB553,221,000. In the Corresponding Period of 2017, the Group recorded a loss after tax of approximately RMB538,015,000. Excluding the net gain on disposal of subsidiaries of approximately RMB3,132,000, the net loss recorded by the Group for the Corresponding Period of 2017 was approximately RMB541,147,000. Compared with the Corresponding Period of 2017, the turnaround from loss to profit was mainly attributable to the increase in net gain after tax on change in fair value of financial instruments of approximately RMB1,815,105,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

Cash position

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB3,100,480,000 (31 December 2017: approximately RMB5,221,679,000) excluding pledged bank deposits, representing a decrease by approximately RMB2,121,199,000 or 41% as compared to 31 December 2017.

Additional Information Required by the Listing Rules

Bank and other borrowings

As at 30 June 2018, bank and other borrowings of the Group amounted to approximately RMB11,941,056,000 including bank loans of approximately RMB7,631,150,000 and other borrowings of approximately RMB4,309,906,000. Among total bank and other borrowings, approximately RMB8,050,787,000 are repayable within one year, approximately RMB1,338,408,000 are repayable over one year but not exceeding two years, RMB1,893,805,000 are repayable over two years but not exceeding five years and approximately RMB658,056,000 are repayable over five years. As at 31 December 2017, bank and other borrowings of the Group amounted to approximately RMB12,052,441,000, including bank loans of approximately RMB7,191,490,000 and other borrowings of approximately RMB4,860,951,000. Among the bank and other borrowings, approximately RMB8,688,795,000 are repayable within one year, RMB1,964,084,000 are repayable over one year but not exceeding two years, RMB786,125,000 are repayable over two years but not exceeding five years and RMB613,437,000 are repayable over five years.

The borrowings balance decreased by approximately RMB111,385,000 or 1%, from 31 December 2017 to 30 June 2018, with a slight change as compared to the end of last year.

Corporate bonds

As at 30 June 2018, the corporate bonds of the Group amounted to approximately RMB2,420,208,000 (31 December 2017: RMB1,919,988,000). The interest rate was fixed, the balances of approximately RMB908,405,000 were repayable over one year but not exceeding two years and balances of approximately RMB1,511,803,000 were repayable over two years but not exceeding five years. The corporate bonds of approximately RMB2,411,803,000 and RMB8,405,000 were denominated in RMB and Hong Kong dollars respectively.

Additional Information Required by the Listing Rules

Leverage

As at 30 June 2018, total cash and cash equivalents of the Group amounted to approximately RMB3,100,480,000 (31 December 2017: RMB5,221,679,000), excluding pledged bank deposits. Total balances of bank and other borrowings and corporate bonds amounted to approximately RMB14,361,264,000 as at 30 June 2018 (31 December 2017: RMB13,972,429,000). The gearing ratio of the Group as at 30 June 2018, calculated as a ratio of the sum of bank and other borrowings and corporate bonds to total assets, was approximately 25% (31 December 2017: 26%). The net equity of the Group as at 30 June 2018 was approximately RMB27,797,455,000 (31 December 2017: approximately RMB27,203,699,000).

As at 30 June 2018, the Group recorded total current assets of approximately RMB34,901,949,000 (31 December 2017: RMB31,630,524,000) and total current liabilities of approximately RMB20,626,389,000 (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 1.7 as at 30 June 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.

Additional Information Required by the Listing Rules

TREASURY POLICIES

As at 30 June 2018, bank and other borrowings of approximately RMB8,618,331,000, RMB1,022,650,000, RMB262,370,000, RMB1,821,464,000 and RMB216,241,000 were denominated in RMB, Hong Kong dollars, Euros, US dollars and Australia dollars respectively (31 December 2017: RMB9,668,367,000, RMB784,219,000, RMB190,298,000, RMB1,409,557,000 and nil). Bank and other borrowings of approximately RMB9,349,650,000 (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 30 June 2018, trade and bills receivables and trade and bills payables of the Group were approximately RMB6,771,062,000 and RMB7,574,705,000 (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 30 June 2018 are set out in note 22 to the interim condensed consolidated financial statements attached to this report.

Additional Information Required by the Listing Rules

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group conducted the following material corporate acquisitions and disposals for the Period Under Review:

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）("**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 ("**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 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. As at the date of approval of the condensed consolidated financial statements, it is informed that 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.

Additional Information Required by the Listing Rules

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（益悅（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） ("**C&D International**"), 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 indirectly 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 Yi Yue (Hong Kong) 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.

The Company confirms that it has complied with all the disclosure requirements under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

For the Period Under Review, except for those disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries, associates or assets.

Additional Information Required by the Listing Rules

SIGNIFICANT EVENTS

1. On 17 January 2018, each of Five Seasons XVI Limited ("**Five Seasons**"), an indirect wholly-owned subsidiary of the Company, and Mr. Ji Changqun ("**Mr. Ji**") entered into a non-legally binding memorandum of undertaking ("**MOU**") with an independent third party, Neoglong Prospecting Inc.*（新光圓成股份有限公司）, a PRC company listed on the Shenzhen Stock Exchange (002147. SZSE) ("**Potential Offeror**"), respectively, in relation to a possible conditional voluntary partial cash offer ("**Proposed Offer**") for more than 50% but not exceeding of 75% of the issued shares of CHS, one of the principal subsidiaries of the Company whose shares are listed on the Stock Exchange, and Five Seasons may consider to accept the Proposed Offer depending on the eventual terms of the Proposed Offer. Subsequent to the entering into of the MOU, the Potential Offeror and Five Seasons have been in discussions of a possible sale and purchase of Five Seasons' direct shareholding interests in CHS that would represent more than 50% but not exceeding 73.91% of the issued shares of CHS ("**Possible Transaction**"). If the Possible Transaction materialises and is completed, it will result in a change in control of CHS and a mandatory general offer, in cash, for the issued shares of CHS to be made under Rule 26.1 of The Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**") by the Potential Offeror instead of the Proposed Offer. Moreover, if the Possible Transaction materialises and is completed, it will involve a disposal of shares in a subsidiary of the Company which may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. On 24 April 2018, the Company, Five Seasons and the Potential Offeror entered into an earnest money agreement ("**Earnest Money Agreement**") in relation to the Possible Transaction, and Mr. Ji and the Potential Offeror entered into a supplemental agreement in relation to the MOU ("**Supplemental MOU**"), both of which extended the term of the MOU to the earliest of the following: (i) 30 September 2018; (ii) the date on which the announcement on the Possible Transaction is made pursuant to Rule 3.5 of the Takeovers Code; or (iii) the date on which the Potential Offeror terminates the Possible Transaction by notice in writing to the Company and Five Seasons or, as the case may be, Mr. Ji. On 30 June 2018, the Company and Five Seasons entered into a framework agreement with the Potential Offeror ("**Framework Agreement**") in relation to the Possible Transaction at a provisional transfer price range of RMB9.99 to RMB11.25 per share of CHS (the "**Provisional Price Range**"). The terms and conditions of the Possible Transaction have not been concluded and are subject to further negotiations and the entering into of a formal sale and purchase agreement. Pursuant to the Framework agreement, the Potential

Additional Information Required by the Listing Rules

Offeror expects CHS to dispose of certain subsidiaries, associates and investment of CHS which are principally engaged in non-gear businesses (the "**Possible CHS Disposal**"). In July 2018, the Group has entered into several agreements in respect of the Possible CHS Disposal ("**Restructuring Transactions**"). As at the date of this report, the Restructuring Transactions have not been completed and the discussion between all parties are still on-going. Details of the Restructuring Transactions are set out in note 28 to the interim condensed consolidated financial statements attached to this report and the announcement of the Company dated 2 August 2018. Details of the Proposed Offer and the Possible Transaction were set out in the announcements of the Company dated 18 January 2018, 14 February 2018, 15 March 2018, 16 April 2018, 25 April 2018, 25 May 2018, 25 June 2018, 2 July 2018 and 2 August 2018.

2. On 13 June 2018, Nanjing Deying Property Limited*（南京德盈置業有限公司）("**Nanjing Deying**"), an indirect wholly-owned subsidiary of the Company, entered into a pledge agreement ("**Pledge Agreement**") with Bank of Communications Co., Ltd. (Jiangsu Province Branches)*（交通銀行股份有限公司江蘇省分行）("**BOCOM Bank**"), pursuant to which, Nanjing Deying agreed to pledge a commercial property held by it as security for a loan in an amount of up to RMB710 million granted by BOCOM Bank to Nanjing Jiangong Group Co. Ltd.*（南京建工集團有限公司）("**Nanjing Jiangong**") under a working capital loan agreement ("**Loan Agreement**"). The highest amount of obligations secured by the commercial 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 "**Guarantee Letters**") in favour of the Group. Pursuant to the Guarantee Letters, among others, (i) Mr. Ji undertook that before the loan under the Loan Agreement is fully repaid or the pledge under the 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 Loan Agreement is fully repaid or the pledge is released; and (ii) Nanjing Jiangong undertook that it would provide a loan to the Company with substantially the same commercial terms as the Loan Agreement or pledge assets with equivalent value to the Company 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 Loan Agreement in consideration of Nanjing Deying agreeing to provide the pledge under the Pledge Agreement.

Additional Information Required by the Listing Rules

As at the date of the Pledge Agreement, Mr. Ji is the chairman of the board (the "**Board**") of directors (the "**Directors**"), the chief executive officer of the Company, an executive Director and a controlling Shareholder of the Company, therefore he is 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 holds over 50% voting power in Nanjing Fullshare Industrial Holding Group Co., Ltd.*（南京豐盛產業控股集團有限公司）("**Nanjing Fullshare Holding**"). Nanjing Jiangong is a subsidiary of Nanjing Fullshare Holding. As at the date of the Pledge Agreement, Mr. Ji Changbin (the elderly brother of Mr. Ji) beneficially owns more than 30% equity interest of Nanjing Jiangong. Therefore, Nanjing Jiangong 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 transaction under the Pledge Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the pledge were set out in the announcement of the Company dated 13 June 2018.

SHARE AWARD SCHEME

The Company adopted the share award scheme (the "**Share Award Scheme**") on 7 July 2018. Subject to any early termination, the Share Award Scheme shall be valid for five(5) years commencing from 7 July 2018.

The purpose of the Share Award Scheme is to (i) establish a medium and long term incentive scheme for the selected grantee(s) and potential incentive targets, and enable the interest of the selected grantee(s) being associated with the Company, which aligns the behaviors of the selected grantee(s) and the strategic targets of the development of the Company to promote the sustainable development of the Company; (ii) further perfect the performance review system and salary system of the Company to attract, retain and impel talents whom are needed to achieve the strategic targets of the Company; and (iii) establish the concept and enterprise culture of mutual sustainable development between the employees and the Company.

Additional Information Required by the Listing Rules

Pursuant to the Share Award Scheme, official full-time employees of the Company, any Hong Kong subsidiary and headquarter of business department of the industry sector of the Group who have passed probation with a ranking level of senior manager and above, as well as other employees of the Group selected by the Board or the shareholders of the Company (the "**Shareholders**") at general meeting are persons eligible to participate in the Share Award Scheme. The aggregate value of the shares of the Company (the "**Shares**") to be granted under the Share Award Scheme and the Share Option Scheme (as defined in below) shall not exceed HK$350 million. As at the date of this report, the Company has not granted any share under the Share Award Scheme.

Details of the Share Award Scheme were set out in the announcement of the Company dated 7 July 2018.

SHARE OPTION SCHEME

On 17 August 2018, the Shareholders approved the share option scheme (the "**Share Option Scheme**"). The Share Option Scheme will remain in force for a period of five(5) years commencing from 17 August 2018.

The purpose of the adoption 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. It is expected that the adoption of the Share Option Scheme will (i) establish a medium and long term incentive scheme for the incentive targets and potential incentive targets, and enable the interest of the incentive targets being associated with the Company, which aligns the behaviors of the incentive targets and the strategic targets of the development of the Company to promote the sustainable development of the Company; (ii) further perfect the performance review system and salary system of the Company to attract, retain and impel the talents whom are needed to achieve the strategic targets of the Company; and (iii) establish the concept and enterprise culture of mutual sustainable development between the employees and the Company.

Additional Information Required by the Listing Rules

Official full-time employees of the Company, any Hong Kong subsidiary and headquarter of business department of the industry sector of the Group who have passed probation with a ranking 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 are persons eligible to participate in the Share Option Scheme. The total number of new Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme, together with the Shares which may be issued under all options to be granted under any other scheme(s) of the Group shall not in aggregate exceed 1,972,906,173, representing 10% of the total issued Shares of the Company as at 17 August 2018. As at the date of this report, the Company has not granted any share option under the Share Option Scheme.

Details of the Share Option Scheme were set out in the announcements of the Company dated 7 July 2018 and 17 August 2018 and the circular of the Company dated 30 July 2018.

Save as disclosed above, there have been no other significant events affecting the Group since the publication of the Group's annual financial statements for the year ended 31 December 2017.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group for the Period Under Review, are set out in note 4 to the interim condensed consolidated financial statements attached to this report.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 30 June 2018 are set out in note 24 to the interim condensed consolidated financial statements attached to this report.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 June 2018 are set out in note 21 to the interim condensed consolidated financial statements attached to this report.

Additional Information Required by the Listing Rules

STAFF AND REMUNERATION POLICIES

As at 30 June 2018, the Group had about 7,052 employees (31 December 2017: 7,594 employees). The Group's total staff costs (including executive directors' remuneration) amounted to approximately RMB723,341,000 for the Period Under Review (for the six months ended 30 June 2017: approximately RMB612,429,000). Employee 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.

SUBSEQUENT EVENTS

As at 30 June 2018, details of the subsequent events of the Group are set out in note 28 to the interim condensed consolidated financial statements attached to this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CHANGES IN DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the Directors' biographical details since the date of the last annual report of the Company are set out below.

Mr. Shi Zhiqiang has tendered his resignation as an executive Director and the chairman of the risk management committee of the Company (the "**Risk Management Committee**") with effect from 7 July 2018.

Ms. Du Wei has been appointed as an executive Director, the chairman of the Risk Management Committee and a member of environment, social and governance committee of the Company with effect from 7 July 2018.

Additional Information Required by the Listing Rules

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

As at 30 June 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); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company; 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**") were as follows:

(i) Long positions in the Shares or underlying Shares

Name of Director	Nature of interests	Number of issued Shares held	Approximate percentage of the total issued share capital of the Company
Mr. Ji	Beneficial owner and interest in controlled corporation(1)	10,131,770,454	51.35%
Mr. Shi Zhiqiang	Beneficial owner(2)	4,555,000	0.02%
Mr. Wang Bo	Beneficial owner	6,910,000	0.04%

Notes:

(1) 942,910,000 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 the 9,188,860,454 Shares held by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands ("**BVI**") whose entire share capital is beneficially owned by Mr. Ji. Accordingly, Mr. Ji is interested in 10,131,770,454 Shares in total.

(2) Mr. Shi Zhiqiang ceased to hold position as an executive Director with effect from 7 July 2018.

Additional Information Required by the Listing Rules

(ii) Long positions in the ordinary shares of the Company's associated corporation

Magnolia Wealth

Magnolia Wealth is incorporated in the BVI with limited liability, and is also a holding company of the Company. Mr. Ji is the director of Magnolia Wealth. The interests of the Directors or chief executives of the Company in Magnolia Wealth as at 30 June 2018 are disclosed as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Number of shares held	Approximate percentage of the total share capital of the associated corporation
Mr. Ji	Magnolia Wealth	Beneficial owner	1	100%

CHS

CHS (stock code: 658) was owned as to approximately 73.91% by the Company as at 30 June 2018 and is an indirect subsidiary of the Company. The interests of the Directors or chief executives of the Company in CHS as at 30 June 2018 are disclosed as follows:

Name of Director	Nature of interests	Corporate interests	Total	Approximate percentage of the total issued share capital of the associated corporation
Mr. Ji	Interest in controlled corporation(1)	1,226,467,693(1)	1,226,467,693	74.99%(2)

Additional Information Required by the Listing Rules

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 who is also a director of Glorious Time. By virtue of the SFO, Mr. Ji is deemed to be interested in the 17,890,000 shares held by Glorious Time.

(ii) 1,208,577,693 shares are directly held by Five Seasons, which is incorporated in the BVI and wholly-owned by the Company, which in turn is owned as to approximately 46.58% by Magnolia Wealth. Magnolia Wealth is wholly-owned by Mr. Ji who is also a director of Magnolia Wealth. By virtue of the SFO, Mr. Ji is deemed to be interested in the 1,208,577,693 shares held by Five Seasons.

(2) This percentage was based on 1,635,291,556 shares of CHS in issue as at 30 June 2018.

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

Hin Sang Group (stock code: 6893) was owned as to approximately 22.86% by the Company as at 30 June 2018 and is an associated corporation of the Company. The interests of the Directors or chief executives of the Company in Hin Sang Group as at 30 June 2018 are disclosed as follows:

Name of Director	Nature of interests	Corporate interests	Total	Approximate percentage of the total issued share capital of the associated corporation
Mr. Ji	Interest in controlled corporation[1]	250,000,000[1]	250,000,000	22.86%[2]

Notes:

(1) 250,000,000 shares are directly held by Viewforth Limited ("**Viewforth**"), which is incorporated in the BVI and wholly-owned by the Company, which in turn is owned as to approximately 46.58% by Magnolia Wealth. Magnolia Wealth is wholly-owned by Mr. Ji who is also a director of Magnolia Wealth. By virtue of the SFO, Mr. Ji is deemed to be interested in the 250,000,000 shares held by Viewforth.

(2) This percentage was based on 1,093,508,000 shares of Hin Sang Group in issue as at 30 June 2018.

Additional Information Required by the Listing Rules

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the 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 as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which disclosure to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO is required.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executives of the Company, as at 30 June 2018, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Substantial Shareholder	**Nature of interests**	**Number of issued Shares held[3]**	**Approximate percentage of the total issued share capital of the Company**
Magnolia Wealth	Beneficial owner [1]	9,188,860,454 (L)	46.58%
Superb Colour Limited ("**Superb Colour**")	Beneficial owner [2]	1,593,072,251 (L)	8.07%
		538,357,500[2] (S)	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)	9.59%
		538,357,500[2] (S)	2.73%

Additional Information Required by the Listing Rules

Notes:

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

2. Reference is made to the disclosure of interest forms dated 30 June 2017 of Superb Colour and China Huarong Asset published on the Stock Exchange's website. 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, a company incorporated in the BVI, is a wholly-owned subsidiary of China Huarong International Holdings Limited ("**China Huarong International**"). Fortune Innovation is a limited partnership in the Cayman Islands and Saturn Jade Group Limited ("**Saturn Jade**"), a company incorporated in the BVI, is the general partner of Fortune Innovation and 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. 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. The letter "L" denotes long position in the Shares; and the letter "S" denotes short position in the Shares.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) 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 30 June 2018.

Additional Information Required by the Listing Rules

COMPETING BUSINESS

As disclosed in the circular of the Company dated 28 October 2013 relating to, amongst other things, very substantial acquisition in relation to the acquisition of Nanjing Fullshare Asset Management Limited*（南京豐盛資產管理有限公司）, 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 30 June 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 30 June 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 for the Period Under Review. Based on the declaration received from Mr. Ji and Magnolia Wealth and after review, our independent non-executive Directors considered that Mr. Ji and Magnolia Wealth had complied with the terms set out in the Non-Competition Undertaking for the Period Under Review.

Save as disclosed above, as at 30 June 2018, none of the Directors or proposed Directors or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Additional Information Required by the Listing Rules

CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. During the Period Under Review, the positions of chairman and CEO of the Company were held by Mr. Ji. The Board believed that the holding of both positions of chairman and CEO by the same individual allowed more effective planning and execution of business strategies. The Board has full confidence in Mr. Ji and believes that his dual roles will be beneficial to the Group.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control of the Company and to review the Company's interim and annual reports and financial statements. The audit committee of the Company currently comprises three independent non-executive Directors.

The members of the audit committee of the Company during the Period Under Review and up to the date of this report were Mr. Chow Siu Lui (chairman), Mr. Lau Chi Keung and Mr. Tsang Sai Chung.

The unaudited interim condensed consolidated financial statements for the Period Under Review have been reviewed by the audit committee of the Company.

Additional Information Required by the Listing Rules

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding the Directors' securities transactions. Having made specific enquiry to all Directors, they confirmed that they have complied with the required standards as set out in the Model Code for the Period Under Review.

By Order of the Board
Fullshare Holdings Limited
JI CHANGQUN
Chairman

Hong Kong, 31 August 2018

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

* *For identification purposes only*