Fullshare Holdings Limited
豐盛控股有限公司

豐盛 FULLSHARE

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

Annual Report
2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Ji Changqun *(Chairman and CEO)*
Mr. Shi Zhiqiang
Mr. Wang Bo

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

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

COMPANY SECRETARY

Ms. Seto Ying

AUTHORISED REPRESENTATIVES

Mr. Wang Bo
Ms. Seto Ying

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Shi Zhiqiang *(Chairman)*
Mr. Wang Bo
Mr. Tsang Sai Chung

PRINCIPAL BANKERS

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

LEGAL ADVISER

Troutman Sanders Solicitors and International Lawyers

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2526, Level 25
Admiralty Centre Tower I
18 Harcourt Road, Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.fullshare.com

STOCK CODE

00607

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ji Changqun ("Mr. Ji"), aged 49, was appointed as an executive director (the "**Director**") of Fullshare Holdings Limited (the "**Company**", together with its subsidiaries, "**Fullshare Holdings**" or the "**Group**"), chief executive officer ("**CEO**"), the chairman of the board of Directors (the "**Board**"), the chairman of nomination committee ("**Nomination Committee**") and a member of remuneration committee ("**Remuneration Committee**") of the Company on 12 December 2013. Mr. Ji is responsible for the Group's strategic control and organization development. Mr. Ji has over nine years of management experience in the real estate industry in the People's Republic of China ("**PRC**"). Mr. Ji has been a director and the chairman of Nanjing Fullshare Industrial Holding Group Co. Limited*（南京豐盛產業控股集團有限公司，"**Nanjing Fullshare Holding**") since November 2002. He obtained a diploma of adult higher education majoring in highway and city road issued by Nanjing Associated Workers' College（南京聯合職工大學）in February 1999. Mr. Ji studied the courses for postgraduates majoring in management science and engineering in Southeast University from September 2003 to September 2005. Mr. Ji obtained a master's degree majoring in business administration issued by Macau University of Science and Technology in June 2006. Mr. Ji is a PRC senior engineer and senior economist. Mr. Ji worked as the project manager and the branch manager of Nanjing Jiasheng Infrastructure Engineering Co., Limited（南京嘉盛基礎建設工程有限公司）from March 1993 to August 1995. Mr. Ji worked as the deputy general manager and the general manager of Jiasheng Construction Group Co., Limited*（嘉盛建設集團有限公司）from September 1995 to November 2011. Mr. Ji holds a lot of important social positions, including the representative of People's Congress of Nanjing, the vice chairman of Jiangsu Federation of Industrial Economics, Jiangsu Enterprise Confederation and Jiangsu Enterprise Directors Association, the chairman of Anhui Chamber of Commerce of Jiangsu Province（江蘇省安徽商會）, the vice chairman of Nanjing Federation of Industry and Commerce, the chairman of Australia Nanjing General Chamber of Commerce（澳大利亞南京總商會）and the vice chairman of Nanjing City Overseas Exchange Association, the honorary chairman of Singapore Chinese Medicine College, the director of the board of Wuhan University, the honorary chairman of the Institute of Chinese Medicine and Natural Medicine of Wuhan Chinese Medicine, the honorary chairman of the board of Nanjing University of Chinese Medicine, the guest professor of Nanjing University of Chinese Medicine, the dean of Fullshare Health Institute（豐盛健康學院）. Mr. Ji was awarded with various honors, including Nanjing Model Worker in 2006, Outstanding Contribution Entrepreneur of Jiangsu Construction Industry（江蘇省建築業突出貢獻企業家）in 2007, Nanjing Guangcai Programme Star（南京市光彩事業之星）in 2010, National Outstanding Entrepreneur on Staff Caring in Private Sector（全國關愛員工優秀民營企業家）in 2011, May 1 Labour Medal award winner of Jiangsu Province（江蘇省五一勞動獎章）in 2012, Outstanding Builder of Socialism with Chinese Characteristics of Jiangsu Province（江蘇省優秀中國特色社會主義事業建設者）in 2012, Top 10 Integrity Models（十大誠信標兵）issued by Jiangsu Province in 2012, the 4th Outstanding Entrepreneur of Jiangsu Province in 2013（二零一三年第四屆江蘇省優秀企業家）and the Most Influential Brand Character in the Health Industry in 2013（二零一三年健康產業最具影響力品牌人物）.

Biographical Details of Directors and Senior Management

Mr. Shi Zhiqiang ("Mr. Shi"), aged 42, was appointed as an executive Director of the Company on 25 November 2013, and the chairman of risk management committee ("**Risk Management Committee**") of the Company on 16 December 2016. Mr. Shi is responsible for assisting with the Group's risk management, support and management of the functional departments, the management of president's office and hosting domestic investment business. Mr. Shi obtained a diploma majoring in financial accounting issued by the Township Enterprise Management Institution organised by the Department of Agriculture of the PRC. He is studying for the EMBA of postgraduate degree in Southeast University. Mr. Shi is a PRC accountant and an international certified internal auditor. Mr. Shi worked as the financial controller of Jiangsu Zhongda Communication Industry Co., Limited*（江蘇中大通信實業有限公司）from December 2004 to July 2005. Mr. Shi worked as the deputy manager of financial management department, audit manager, audit director and chief financial officer of Nanjing Fullshare Holding from July 2005 to March 2011. Mr. Shi worked as a director of Nanjing Fullshare Holding from June 2011 to April 2013 and the assistant to the chairman of Nanjing Fullshare Holding from March 2011 to January 2013. Mr. Shi is also a director of certain subsidiaries of the Company.

Mr. Wang Bo ("Mr. Wang"), aged 37, was appointed as an executive Director of the Company on 10 September 2014, and a member of Risk Management Committee of the Company on 16 December 2016. Mr. Wang is responsible for assisting the chairman of the Board and acting as the head of the investment and financing management committee of the Group, responsible for overseas investment and financing, investor relations (the "**IR**"), management of the Group's Hong Kong office and hosting general meetings and board meetings of the Company. Mr. Wang obtained a Juris doctor degree from Duke University, the United States of America ("**USA**") in 2007, a master of laws degree from Nanjing University in 2004 and a bachelor of laws degree from Nanjing University of Finance & Economics in 2001. He also obtained Legal Profession Qualification of PRC in 2002. Mr. Wang worked as a manager of Legal Department of DBS Bank (China) Limited Shanghai Branch from 2010 to 2011 and an associate and a senior associate of King & Wood Mallesons from 2007 to 2010. From March 2011 to September 2014, Mr. Wang worked as the general manager of Fullshare Group Limited and the director and the managing director of Fullshare International Group Limited. Since March 2011, Mr. Wang has been and is currently a director of Fullshare Group Limited. Mr. Wang is also a director of certain subsidiaries of the Company. Mr. Wang was the chairman and a non-executive director of Applied Development Holdings Limited ("**ADHL**") (stock code: 519) during the period from September 2016 to December 2017, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Mr. Lau Chi Keung ("Mr. Lau"), aged 69, was appointed as an independent non-executive Director, the chairman of remuneration committee, a member of Nomination Committee and audit committee ("**Audit Committee**") of the Company on 12 December 2013. Mr. Lau has over 38 years of management experience in the real estate industry in the PRC and in Hong Kong. Mr. Lau obtained a higher diploma majoring in surveying/building technology issued by Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in 1970. Mr. Lau was admitted fellow member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors respectively in 1987. Mr. Lau was appointed as a director of Henderson Investment Limited in 1995 and was appointed as a director of Henderson China Development Limited in 2005. Since September 2016, Mr. Lau was appointed as an independent non-executive director of ADHL. Mr. Lau served in many social positions, including a member of the Construction Industry Training Authority, a member of the Administrative Appeals Board from 2003 to 2009 and an external examiner respectively of the Hong Kong University – B.Sc. (Hons) Degree in Surveying from 1998 to 2001 and of the Hong Kong Polytechnic University – B.Sc. (Hons) programme in Building Surveying from 2005 to 2007. Mr. Lau currently holds several social positions, including a member of the Disciplinary Panel of Hong Kong Institute of Surveyors, a member of the Appeal Tribunal Panel of Planning and Lands Branch, Development Bureau of Government Secretariat. Mr. Lau was awarded with "Justice of the Peace" issued by the Hong Kong government in 2001 and "Medal of Honour" issued by the Hong Kong government in 2005.

Mr. Chow Siu Lui ("Mr. Chow"), aged 57, was appointed as an independent non-executive Director and the chairman of Audit Committee of the Company on 12 December 2013. Mr. Chow has a wealth of experience in fund raising and initial public offering ("**IPO**") activities in Hong Kong and accounting & financial areas. Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for providing advice in pre-IPO group structuring and fund raising in local and overseas stock exchanges. He is currently a partner of VMS Group. He is a core member of the investment committee and responsible for VMS Group's private equities investment, including due diligence of all investment projects. Mr. Chow is currently a member of the investment strategy task force of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and also the former chairman of the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. Chow is now an independent non-executive director of Universal Medical Financial & Technical Advisory Services Company Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 2666)). China Everbright Greentech Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 1257)), Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6833)), Futong Technology Development Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 465)) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), respectively. He acted as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (whose shares are listed on the GEM of the Stock Exchange (stock code: 8181)) from February 2015 to October 2015. Mr. Chow was awarded a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1983. By profession, he became a fellow of the Association of Chartered Certified Accountants in July 1991, the Institute of Chartered Secretaries and Administrators and HKICS both in October 2009, and the HKICPA in December 1993.

Biographical Details of Directors and Senior Management

Mr. Tsang Sai Chung ("Mr. Tsang"), aged 54, was appointed as an independent non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company on 12 December 2013, and a member of Risk Management Committee of the Company on 16 December 2016. Mr. Tsang obtained a bachelor's degree of arts from the University of Hong Kong in 1985 and completed PCLL programme in University of Hong Kong in 1993. Mr. Tsang undertook his trainee programme and worked as an associate of Baker & McKenzie from September 1993 to January 1999. He then moved to in house with various companies and worked as an executive director, general counsel and company secretary of HKC (Holdings) Limited (stock code: 00190) from April 2004 to September 2009. Mr. Tsang was the general counsel and company secretary of Sa Sa International Holdings Limited (stock code: 00178) from September 2012 to September 2014. Mr. Tsang joined Pacific Century Premium Developments (stock code: 00432) as general counsel on 29 September 2014 and was also appointed as their company secretary on 25 November 2014.

Senior Management

Mr. Lu Jian ("Mr. Lu"), aged 49, worked as the president of the property business department of the Company since 3 July 2017 and was appointed as the vice president of the Company and the general manager of tourism and property business department since February 2018. He has been appointed as a senior management member of the Company since 27 March 2018 and is responsible for the coordination of the investment, development, construction and operation related to the business of tourism and property segments of the Company. Mr. Lu has over 24 years of experience in property industry. From 1992 to 1994, Mr. Lu worked as an engineer in Magang (Group) Holding Co., Ltd. and worked as the senior manager of Shanghai Lee Tat Property Agency Company Limited from 1994 to 1996. Mr. Lu was the general manager of Shanghai Lanbao Property Company Limited from 1996 to 1998 and was a director of DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd. from 1998 to 2009. He was a vice president of Yurun Holding Group Co., Ltd. from 2009 to 2015. Subsequently, he was the president of SHKP Group Co., Ltd. from 2015 to 2017. He studied in Shanghai Jiao Tong University from 1988 to 1992 and obtained a bachelor's degree in the faculty of precision instrument. He also studied in Shanghai University of Finance and Economics from 1996 to 1998 and obtained a master's degree in economics, majoring in investment economics.

Mr. Jack Tsai ("Mr. Tsai"), aged 37, was appointed as the chief portfolio officer of the Company on 15 February 2016. Mr. Tsai is responsible for Hong Kong and overseas investment and financing of the Group. Mr. Tsai has over 15 years of investing experience in the Asia Pacific markets and was formerly executive director and responsible officer of VTB Capital (HK) Limited ("**VTB Capital**") in charge of Greater China investments and financing. Prior to joining VTB Capital, Mr. Tsai was a director at Deutsche Bank AG's Strategic Investment Group where he was responsible for pan-Asia special situations investing and distressed debt trading. In addition, Mr. Tsai was a financial analyst at Morgan Stanley Private Equity Asia. Mr. Tsai holds a Bachelor of Science in Economics (Finance) from the Wharton School of the University of Pennsylvania and a Bachelor of Arts in International Studies from the University of Pennsylvania.

Biographical Details of Directors and Senior Management

Mr. He Dong ("Mr. He"), aged 51, was appointed as chief financial officer of the Company on 30 March 2016. Mr. He is responsible for the financial management of the Company. Mr. He has been employed as chief financial/ investment officer of various China-based global renowned enterprises in the past 26 years. He possesses relevant experience in real estate, manufacturing, investment, auditing, medical and other industries in Mainland China, USA, United Kingdom, Hong Kong and Australia. Mr. He studied economics in Zhongshan University from 1984 to 1987, majored in international trade. He obtained a bachelor's degree of commerce from University of New South Wales, Australia in 1991, majored in finance. During the period from December 1997 to January 2005, he was the financial controller (Beijing district) of Hutchison Whampoa Limited. During the period from January 2005 to October 2007, Mr. He was the assistant to general manager and financial controller (Beijing district) of Sun Hung Kai Properties (Beijing) Limited. During the period from October 2007 to February 2013, Mr. He was the financial controller-TESCO China Real Estate of TESCO China Real Estate. He then worked as the general manager of China Real Estate of Henderson Global Investors and chief financial officer of D&J China (Warburg Pincus). Mr. He is a fellow member of Certified Practising Accountants (the "**CPA**") Australia, former vice president of CPA Australia Beijing Committee and a fellow member of the HKICPA.

Mr. Daniel Tao ("Mr. Tao"), aged 51, was appointed as a chief brand officer of the Company on 15 December 2015, Mr. Tao is mainly responsible for the Group's overall brand management. Mr. Tao has more than 20 years of experience in marketing communications, and has worked in state government and multi-national companies, agency and client, inside and outside China, across various disciplines, roles and industry sectors. He joined the Ogilvy Group in early 1990's as an account executive in advertising and was one of the key contributors to Ogilvy's early growth in the China market place. He was transferred to Ogilvy Interactive in late 1990's and was not only a pioneer in China's interactive marketing business but also one of the key contributors to Ogilvy's interactive marketing business growth in China. In the year of 2014, Mr. Tao was appointed as the executive vice-president of Ogilvy Group in Guangzhou. Mr. Tao holds a Bachelor of Arts degree from China Institute of Diplomacy and a postgraduate diploma in Direct and Database Marketing from the Institute of Direct Marketing of the United Kingdom.

Ms. Seto Ying ("Ms. Seto"), aged 41, was appointed as the company secretary and the financial controller of the Company on 12 December 2013. Ms. Seto resigned as an executive Director of the Company on 12 December 2013. Ms. Seto is responsible for monitoring the Group's daily financial operation and the financial matters in relation to acquisition projects and company secretarial matters. Ms. Seto obtained a bachelor's degree majoring in business administration in accountancy issued by the Chinese University of Hong Kong in 1998. Ms. Seto is a fellow member of the Association of Chartered Certified Accountants, a member of the HKICPA and a member of the HKICS. Ms. Seto has more than 16 years of experience in the field of finance and accounting and company secretarial matters including working in an international accounting firm.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am hereby pleased to present the 2017 annual report of the Company for the twelve months ended 31 December 2017 (the "**Year 2017**") to our shareholders.

In 2017, the Company achieved a linkage development in five industries, namely new energy, tourism, healthcare, property and investment by regulated governance, steady investment and synergistic development.

As at 31 December 2017, total assets of the Group amounted to RMB54,423,653,000 (as at 31 December 2016: RMB48,412,715,000), representing an increase of 12%. Net assets per share recorded an increase of 4% year-on-year to RMB1.38 (31 December 2016: RMB1.33).

In Year 2017, the revenue of the Group increased by 156% to RMB11,026,457,000 (2016: RMB4,311,423,000). Gross profit rose by 242% to RMB2,959,727,000 as compared to the Year 2016 (2016: RMB864,255,000). Profit of RMB2,267,453,000 was attributable to owners of parent company in the Year 2017 (2016: RMB3,086,019,000). To reward our shareholders for their long-term support, the Board recommends the payment of final dividends of RMB1.5 cents per share for Year 2017.

Looking back into 2017, the Company has actively addressed issues like short-selling, regulated corporate governance and established a more transparent corporate operation. With an insight into industry and market development opportunities and by leveraging a forward-looking industrial strategic layout, the Company achieved a healthy development through flexible operation strategies and integrated operation capabilities.

China High Speed Transmission Equipment Group Co., Ltd. ("**CHS**"; stock code: 658), a subsidiary of the Group, is a global-leading enterprise in the wind power equipment industry and a supplier of mechanical transmission equipment manufacturing. By leveraging its strong technological research and development as well as its excellent product quality, CHS was accredited by the Ministry of Industry and Information Technology of the PRC ("**MIIT**") as one of the "Top Enterprise Models" in the first round assessment of manufacturing business. In 2017, through business structure adjustments, CHS further focused its business on wind power and transmission gear sectors while maintaining its stable overseas markets, and further focused on its domestic market to consolidate its global market share.

Nanjing Yuhua Salon（雨花客廳）Epark, one of the commercial real estate projects of the Company was officially opened in September 2017 and recorded customer flow of 1.5 million within one month from its opening. This project is located at the core region of Nanjing Software Valley, radiating approximately 500 global renowned technology enterprises in the vicinity with approximately 150,000 high-end consumers, and complements and facilitates each other with the Wonder City（虹悅城）project. For its overseas commercial real estate segment, the Company completed the investment in GSH Plaza, a commercial property in Singapore, and will develop it into a commercial and new community retailing model of the golden shoe district in Singapore.

The total market size of the PRC healthcare service industry will exceed RMB8 trillion and RMB16 trillion by 2020 and 2030 respectively. Coupled with aging population and consumption upgrade, opportunities in health check, healthcare, healthcare products and other related sectors are tremendous. In 2017, the Company received sound investment income through disposing of part of the equity interest in Shenzhen Anke High-Tech Company Limited. At the same time, the Company completed the acquisition of Sparrow Early Learning Pty Ltd., a pre-school education institution in Australia, and established its business in children healthcare as well as maternal and infant healthcare market. On the other hand, the Company developed strategic cooperation with Shenzhen iCarbonX Holdings Limited*（深圳碳雲控股有限公司）to explore the investment opportunities in the healthcare technology service and other new industries.

In 2017, the PRC tourism industry contributed a total of RMB8.77 trillion to gross national economy. By 2020, 76% of the PRC urban households will reach a middle class income standard. By 2030, 480 million population in the PRC will reach the middle to high income or high income group standard. Consumers' consumption habits are undergoing tremendous changes and escalating into patterns of experiential, enjoyable, joyful and personalized consumption. The Company is of the view that the cultural and tourism industry is one of the segments that can integrate multiple channels with synergistic benefits, and is a market with unmet demand and highest potential. From a health perspective, leisure tourism will play a role in broadening vision, improving physical and mental health, escalating global cognition, and resolving inter-generation conflicts of families, which will gradually become key value drivers for quality of life of middle class income groups or middle to high income groups. The Company will construct, develop and operate the integrated leisure tourism business including healthcare town and urban leisure streets through Five Seasons Cultural Tourism Development Company Limited ("**Five Seasons Cultural**"). In particular, the Chishanhu International Tourism Resort Project, among which Five Seasons Cultural is participating, was officially kicked start in early 2017. For the tourism Internet platform sector, the Company entered into a forward contract to acquire interest in a fund which is in turn interested in Shanghai Joyu Culture Communication Company Limited*（上海景域文化傳播股份有限公司）("**Shanghai Joyu**"), and the parties thereto will explore the cultural tourism vacation market by leveraging their respective resources advantages. As a one-stop O2O service provider in the PRC tourism industry, Shanghai Joyu provides the full industry value chain from planning design to IP content planning and marketing promotions. Its "Lvmama" travel website（驢媽媽旅遊網）is a well-known online travel agency for domestic tourism and short tour in the PRC. The Company also strategically invested in a US-listed Tuniu Corporation which operates a website tuniu.com（途牛旅遊網）, and the parties thereto will carry out cooperation in the overseas tourism, consumer finance and other related segments. At the tourism resources front, the Company completed the acquisition of certain tourism resorts and land resources in Australia, further laying a good foundation for the post-development of the Australian resorts and tourism business. The Company also initiated the health travel alliance with its partners like Lvmama（驢媽媽）and Songtsam Culture Tourism（松贊文旅）in December 2017. The alliance will leverage the huge traffic on the online travel platform to extend cooperation with global destination suppliers, product suppliers, famous scenic regions, airline companies, insurance companies, financial institutions and other tourism industry chain enterprises to jointly build a more convenient, more affordable, more unique shared tourism industry ecological platform and user service interface platform with better user experience.

Chairman's Statement

For future development, the Company will continue to pursue the platform-oriented, internationalized and relatively diversified development strategy to integrate resources and achieve industry optimization and business innovation through various means including investments, with a view to keep creating sustainable returns to its shareholders. In 2018, from a sustainable development perspective and targeting at creating a better and healthy lifestyle, the Company will abide by the "preventing disease treatment" philosophy of "lifestyle, high frequency, and joyful" and focus on the healthy tourism lifestyle segment to conduct its industrial layout. Through investments, mergers and acquisition, cooperation and other methods, the Company by utilising its resources such as, hospitality, scenic destinations, healthcare services, healthcare goods and new business will develop its advantages in pricing, products and channels. The Company will leverage the online traffic and more offline commercial scenarios from the three large platforms namely Lvmama（驢媽媽）, Tuniu（途牛）and Fullshare Top（豐盛榜）to develop healthy travel B2B and B2C business models. Through investment funds, consumer financial service, supply chain financial service, the Company will continue to intensify its efforts on resources integration, consumption ability improvement and marketing channels development, and constantly innovate new commercial development models to achieve synergies among every business module and empowering one another, and facilitate its supply chain's healthy development, which in turn will achieve robust development of its healthy tourism segment. Globally, the Company will pay close attention to its strategic partners which can provide complementary advantages and through its tourism industry fund continue to seek higher quality projects and capture investment opportunities with empowering and synergistic effects that can integrate a global tourism industry platform, including but not limited to investment and cooperation opportunities in the culture tourism, consumer finance, new retailing new business, healthcare technology, healthcare service, healthcare big data sectors, with the objective of promoting the synergetic development in the Company's investment business as well as its existing business operation and service platforms.

The Company will, as always, implement sound corporate management and operate according to a principle of open and transparent corporate governance and actively listen to shareholders, suggestions with an open attitude, so as to enable all shareholders to participate in corporate governance, and make the Company a company that can give our investors and shareholders confidence. Through high quality investments and mergers and acquisition, the Company will continue to perfect its industry structure, strengthen corporate operations and enhance risk resistance capability, and leverage its healthy capital structure, financial policies and professional operation management to maximize value for our shareholders.

BUSINESS REVIEW

The revenue of the Group for the Year 2017 was derived from property, tourism, investment and financial services, healthcare and education and new energy businesses.

(1) Property business

(a) Property sales

During the Year 2017, the Group had contracted sales of approximately Renminbi ("**RMB**") 1,268,199,000, representing a decrease of approximately 46% as compared with the year ended 31 December 2016 (the "**Year 2016**"). The Group made contracted sales for an aggregate gross floor area ("**GFA**") of approximately 73,541 sq.m., representing a decrease of approximately 42% as compared with the Year 2016. As at 31 December 2017, the Group's contracted sales for the contracts signed but properties not yet delivered were approximately RMB244,612,000 with a total GFA of 14,978 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. The average contracted selling price in the Year 2017 was approximately RMB17,245 per sq.m., representing a decrease of approximately 7% as compared with the Year 2016.

As at 31 December 2017, a breakdown of the major properties held domestically by the Group 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 People's Republic of China ("**PRC**")	Office and commercial project	Completed	Completed	33,606	78,165	–	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	Fourth quarter of 2018	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	118,690	–	66,072	100%
Yuhua Salon（雨花客廳）C North	East to Ningdan Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Apartment and commercial project	Completed	Completed	48,825	133,538	–	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	214,227	–	164,977	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	Second quarter of 2018	48,553	82,269	63,400	39,052	100%
					283,756	626,889	144,780	385,153	

(b) Investment properties

During the Year 2017, 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	GFA *(sq.m.)*	Interest attributable to the Group
Nanjing					
Wonder City（虹悅城）	No. 619 Yingtian Da Jie, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Shopping mall	Medium-term covenant	100,605	100%
Yuhua Salon（雨花客廳） (certain units)	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Office and shopping mall	Medium-term covenant	91,858	100%
Yuhua Salon（雨花客廳） (certain units)	No. 119 Ruanjian Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	Car park	Medium-term covenant	3,307	100%
Nantong					
Nantong Youshan Meidi Garden Project（南通優山美地花園項目）	No. 1888, Xinghu Avenue, Nantong, Jiangsu Province, the PRC	Commercial	Medium-term covenant	20,876	100%
Huitong Building（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%

(c) Green building services and entrusted construction services

During the Year 2017, the Group engaged in providing technical design and consulting services, green management services and entrusted construction services in the PRC. During the Year 2017, the revenue from both green building services and entrusted construction services was approximately RMB129,745,000 (2016: RMB192,520,000).

(d) Investments in property companies

During the Year 2017, the Group has indirectly subscribed for approximately 50.39% interest in Fullshare Value Fund I (A) L.P. ("**FVF I (A) L.P.**") at an amount of US$136,566,000. The principal investment of FVF I (A) L.P. is in certain portion of a building namely GSH Plaza (formerly known as Equity Plaza) in Singapore. The Group's investment in FVF I (A) L.P. has been accounted for as an investment in a joint venture under the equity method.

On 20 November 2017, a direct wholly-owned subsidiary of the Company entered into an agreement ("**ADHL Agreement**") with Hongkong Ruihua Investment Management Limited （香港瑞華投資管理有限公司）, an independent third party, in relation to the disposal of 559,865,959 shares ("**ADHL Sale Shares**") in Applied Development Holdings Limited ("**ADHL**"), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 519.HK), at a total consideration of HK$442,294,108. The ADHL Sale Shares represented approximately 22.35% of the then issued share capital of ADHL. ADHL is principally engaged in resort and property development, property investment and investment holdings. The completion of the disposal of the ADHL Sale Shares took place on 27 December 2017 in accordance with the terms of the ADHL Agreement.

(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. The refurbishment of Sheraton Mirage Resort and other nearby facilities was completed in 2016, which included the lobby, guest rooms, golf clubhouse, indoor landscape and outdoor landscape. Positive feedbacks are received from customers on its overall refurbishment quality. During the Year 2017, 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 Year 2017, the revenue from tourism business was approximately RMB167,453,000 (2016: RMB134,321,000).

(3) Investment and financial services business

During the Year 2017, the Group's investment and financial services business consists of holding and investing in various listed and unlisted equities and treasury products and provision of investment and financial related services.

a) Listed equity investments held for trading

The portfolio of listed equity investments of the Group held for trading as at 31 December 2017 and 31 December 2016 is set out as follows:

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 Ltd. ("**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.

As at 31 December 2016

Stock code (Note 1)	Name	Number of shares held (Note 2)	Effective shareholding interest as at 31 December 2016	Acquisition cost RMB'000	Carrying amount as at 31 December 2016 RMB'000	Unrealised holding gain arising on revaluation for the year ended 31 December 2016 RMB'000	Realised gain arising from disposal the year ended 31 December 2016 RMB'000	Dividend received/ receivable for the year ended 31 December 2016 RMB'000
153.HK	China Saite Group Company Limited	203,800,000	9.09%	95,024	96,844	1,820	–	–
1908.HK	C&D International Investment Group Limited	40,000,000	9.35%	142,902	184,657	41,434	–	–
2098.HK	Zall Group	949,224,000	8.83%	947,452	5,125,172	3,276,615	–	–
8307.HK	Medicskin Holdings Limited	80,000,000	16.65%	45,334	62,632	15,261	–	–
3332.HK	Nanjing Sinolife	45,411,600 (Note 3)	4.80%	65,375	67,809	2,433	–	–
Others					–	8,290	–	–
					5,537,114	3,345,853	–	–

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. Such shares held by the Group are H shares of Nanjing Sinolife.

The performance and prospect of the Group's major investment during the Year 2017 are as follow:

Zall Group

The principal activities of Zall Group include developing and operating large-scale consumer product-focused wholesale shopping malls and the related value-added businesses, such as warehousing, logistics, e-commerce and financial services in the PRC. On 28 June 2017, Zall Group has completed the acquisition of certain equity interest of a group of e-commerce companies for enhancing its e-commerce business development. The Group held approximately 949,224,000 shares in Zall Group, representing approximately 8.16% of its entire issued capital as at 31 December 2017 (31 December 2016: 8.83%). The carrying amount of the investment in Zall Group accounted for approximately 12% of the Group's total assets as at 31 December 2017 (31 December 2016: 11%). 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 Year 2017, 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 stabilize its long term investment strategies.

On 14 April 2017, the Group 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 LLP*(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 Group considers that such investment could bring 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, approximately RMB2,000,000,000 is to be contributed by Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd*(南京高精傳動設備制造集團有限公司)("**Nanjing High Accurate Drive**") as a limited and other eleven limited partners. The Group's investment in above partnership is recorded as available-for-sale investments.

The Group 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) on 31 August 2017. The Group contributed approximately RMB500,000,000 to Shanghai Guiman Enterprise Management L.P.*(上海圭蔓企業管理合夥企業(有限合夥)) as a limited partner and the full capital contribution is approximately RMB1,000,500,000. The investment objective is to maximize the benefits of partners and social efficiency. The Group's investment in above partnership is recorded as available-for-sale investments.

The Group contracted to make a capital injection at an aggregated amount of approximately US$67,568,000 into Fullshare Global Opportunities Fund L.P. ("**Global Opportunities Fund**") representing approximately 44% of the committed fund size. The objective of Global Opportunities Fund is to seek long-term capital appreciation through investment of the comprehensive health business (including but not limited to medical healthcare, health living, healthcare internet, healthcare finance, big data, etc.). The Group's investment in Global Opportunities Fund is recorded as available-for-sale investments.

c) Investment and financial related consulting services

The Group offers various financial services via a well developed group of companies acquired in Year 2016 (referred to as "**Baoqiao Group**") to clients including listed companies, individuals and financial institutions. Such financial services include corporate finance, investment management, equity capital markets and money lending services. During the Year 2017, the investment and financial related consulting services business provided by Baoqiao Group has contributed revenue amounting to approximately RMB49,049,000 (2016: RMB3,716,000) to the Group.

During the Year 2017, this segment recorded a profit of approximately RMB2,202,884,000 (2016: RMB3,390,209,000). The unrealised gain before tax from change in fair value of the listed securities held for the Year 2017 of approximately RMB2,075,665,000 (2016: RMB3,345,853,000) was mainly attributable to price appreciation of Zall Group. The loss/gain from unrealised fair value changes after tax of the available-for-sale investment recognised under other comprehensive loss was approximately RMB257,937,000 (2016: gain of approximately RMB224,668,000). As at 31 December 2017, the total amount of financial assets held for trading was approximately RMB7,242,057,000 (31 December 2016: RMB5,537,114,000), and the total amount of available-for-sale investments held by the Group was approximately RMB4,894,177,000 (31 December 2016: RMB1,070,090,000).

(4) Healthcare and education business

During the Year 2017, the Group has optimized and integrated the business of this segment. The Group completed the acquisitions of 90% interest of an early childhood education project and several other education centres in Australia. The management believes such acquisitions would be the first stepping stone for extending the healthcare business to the education aspect. During the Year 2017, the Group disposed approximately 53.10% of the issued share capital in Shenzhen Anke High-Tech Company Limited*（深圳安科高技術股份有限公司）(“**Shenzhen Anke**”), and retained 19.09% interest in Shenzhen Anke to continue to enjoy return and the synergy effect from the operation and growth of Shenzhen Anke. Such disposal was completed on 27 December 2017.

During the Year 2017, the revenue of healthcare and education segment was RMB560,825,000 (2016: RMB362,464,000).

(5) New energy business

The segment is principally engaged in the research, design, development, manufacturing and distribution of a broad range of mechanical transmission equipments that are used to generate wind power and a wide range of industrial applications. In 2017, this segment recorded sales revenue from continuing operations of approximately RMB8,241,914,000 (2016: RMB916,079,000), representing an increase of approximately 900% as compared with that of 2016. The significant increment is due to that after completion of the acquisition of CHS in late 2016, approximately only one month revenue was consolidated in the financial statements of Year 2016, whereas the whole year revenue generated by this segment was consolidated in Year 2017.

1. ***Gear segment***

   (i) *Wind gear transmission equipment*

   The wind gear transmission equipment is a major product that has been developed by the Group. In the Year 2017, sales revenue of wind power gear transmission equipment business was approximately RMB6,803,417,000. The revenue in the wind power industry was still in a state of callback and downstream customers were cautious about the newly installed capacity in the Year 2017.

   The Group is a leading supplier of wind gear transmission equipment in the PRC. By leveraging its strong research, design and development capabilities, the segment has a range of products including 750KW, 1.5MW, 2MW and 3MW wind power transmission equipment, which have been provided to domestic and overseas customers in bulk. The product technology has reached an internationally advanced technical level and is well recognised by customers in general. In addition to the provision of diversified large wind power gear boxes to customers, the Group has also successfully developed 5MW and 6MW wind power gear box with a technological level comparable to its international peers, thus enabling us 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 our quality products and good services, the Group has also received a wide range of recognition and trust from customers at home and abroad. The Group has wholly-owned subsidiaries in the USA, Germany, Singapore, Canada and India to support the sustainable development strategy of the segment and strive to have closer communication and discussion with potential overseas customers, and has newly set up a wholly-owned subsidiary in Vietnam to grasp opportunities in the emerging market, 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.

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 used in the metro of Shanghai, Hong Kong and Melbourne is PDM385 type two-stage metro gear box, which was developed by the Group on the basis of the assimilation of domestic and foreign standards and customer specifications and several years' experience in design and manufacturing. PDM385 type two-stage metro gear box is characterized by its compacted structure, low noise, and easy maintenance, etc. With a 1.2 million km, or 10-year maintenance-free life span, the key components can endure for a period of 35 years. During the Year 2017, the industrial gear business segment generated sales revenue of approximately RMB1,001,004,000 for the Group.

2. Marine gear transmission equipment

During the Year 2017, the Group has continued the strategy of disposing loss making businesses in order to further enhance the overall performance. The Group has disposed two subsidiaries of the marine gear transmission segment on 27 February 2017 and 18 April 2017 to two separate independent third parties. During the period from 1 January 2017 to the date of disposal, marine gear transmission equipment recorded sales revenue of approximately RMB23,573,000.

3. 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. Despite the Group's relentless efforts on developing advanced and efficient machine tools in order to establish a presence in the heavy and high-end equipment manufacturing markets, the Group reported consecutive decrease in revenue of CNC machine tool business since the financial year ended 31 December 2014.

During the Year 2017, the Group provided CNC machine tool products to customers through various subsidiaries and recorded sales revenue of approximately RMB60,554,000.

4. Diesel engine products

The Group's diesel engine products business is operated by Nantong Diesel Engine Co., Ltd. ("**Nantong Diesel**").

The products of Nantong Diesel cover a wide range of models, including marine diesel engines, diesel engines for power generation and gas engines. Its 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.

Nantong Diesel possessed the proprietary intellectual property rights and was 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". It was also awarded "Scientific & Technological Progress Prize of State Mechanical Industry". Recovery in shipping industry was faltered because the global economy remained uncertain. As such, the sales of the Group's diesel engine products were also affected. During the Year 2017, the Group's sales revenue from diesel engines products amounted to approximately RMB115,591,000.

Local and export sales

During the Year 2017, the Group maintained its position as the leading supplier of mechanical transmission equipment in the PRC. During the Year 2017, the overseas sales amounted to approximately RMB2,631,914,000. Overseas sales accounted for 31.9% to total sales of new energy business segment. 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 economies in Europe and the U.S. were yet to be fully recovered during the Year 2017, the Group introduced different types of products in order to extend its coverage to the overseas markets.

Management Discussion and Analysis

PROSPECT

In 2018, the Company will continue to pursue its platform-oriented and internationalized development. Meanwhile, with the principle of upholding integrity and by focusing on healthy lifestyle, the Group will integrate its resources on health services, healthy tourism, cultural tourism and tourism development, and constantly explore business innovations and optimize the industrial chain of healthy lifestyle, so as to create higher returns for its shareholders and co-operative partners.

The principal target of the Group's business operation is to achieve revenue and profit growth, while healthy financial management policies remain the ground rules of our financial control. In 2018, the Company will conduct investment and financing activities with prudence to effectively control the proportion of equity financing and debt financing both domestically and abroad, so as to enhance the financial liquidity and effectiveness of usage rate of capital. At the same time, we will conduct internal corporate governance and operation with a more prudent, open and transparent attitude, so as to further strengthen our risk control and to enhance our risk resistance capability.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately RMB6,715,034,000, or 156%, from approximately RMB4,311,423,000 in Year 2016 to approximately RMB11,026,457,000 in Year 2017. The revenue in Year 2017 was derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment of approximately RMB2,007,216,000, RMB167,453,000, RMB49,049,000, RMB560,825,000 and RMB8,241,914,000 respectively, and the revenue in Year 2016 was derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment of approximately RMB2,894,843,000, RMB134,321,000, RMB3,716,000, RMB362,464,000 and RMB916,079,000 respectively.

In Year 2017, the revenue of the properties segment decreased by approximately RMB887,627,000, or 31%, as compared to Year 2016. The properties segment includes investment, development and sales of properties and provision of construction related services. Revenue decreased in the properties segment was mainly due to the decrease in sales of properties by approximately RMB934,263,000, from approximately RMB2,638,593,000 in Year 2016 to approximately RMB1,704,330,000 in Year 2017. The total delivered GFA of the Group's properties decreased from approximately 167,169 sq.m. in Year 2016 to approximately 100,820 sq.m. in Year 2017, while the average selling price increased from approximately RMB15,784 per sq.m. to approximately RMB16,905 per sq.m.

Management Discussion and Analysis

The revenue of the tourism segment was mainly derived from a hotel operated in Australia. The revenue increased by approximately RMB33,132,000, or 25% as compared to Year 2016. This was mainly due to the hotel renovation in the first half of Year 2016 which affected the revenue from this segment in 2016 and the marketing efforts made after completion of the renovation works in the second half of Year 2016 which increased the average occupancy and daily rate in Year 2017.

The revenue of the investment and financial services segment increased by approximately RMB45,333,000, or 1,220%. The revenue of this segment in Year 2017 was generated by Baoqiao Group acquired in late 2016.

The revenue of the healthcare and education segment increased by approximately RMB198,361,000, or 55%, which was mainly due to revenue of approximately RMB202,190,000 derived from the newly acquired in early 2017 childhood education project in Australia.

The revenue of the new energy segment increased by approximately RMB7,325,835,000, or 800%, which was derived from CHS acquired in December 2016. A significant increase in revenue of this segment was mainly because only one month revenue has been consolidated in the financial statements of Year 2016 after the acquisition of CHS by the end of November 2016. Revenue in 2017 mainly included the sales of wind gear transmission equipment and industrial gear transmission equipment of approximately RMB6,803,417,000 and RMB1,001,004,000 respectively.

Cost of sales

The cost of sales of the Group increased by approximately RMB4,619,562,000, or 134%, from approximately RMB3,447,168,000 in Year 2016 to approximately RMB8,066,730,000 in Year 2017. The cost of sales in Year 2017 derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment was approximately RMB1,054,162,000, RMB179,237,000, RMB1,789,000, RMB446,695,000 and RMB6,384,847,000 respectively, whereas the cost of sales in Year 2016 derived from the properties segment, tourism segment, investment and financial services segment, healthcare and education segment and new energy segment was approximately RMB2,151,576,000, RMB154,575,000, RMB698,000, RMB258,502,000 and RMB881,817,000 respectively.

The cost of sales for the properties segment decreased by approximately RMB1,097,414,000, or 51% as compared to Year 2016, which was mainly due to the decrease of 66,349 sq.m., or 40%, in the area of properties delivered in Year 2017 as compared to Year 2016.

Cost of sales of the tourism segment increased by approximately RMB24,662,000, or 16% as compared to Year 2016. The increase in cost of sales was less than its revenue growth because certain costs were fixed.

Cost of sales of the investment and financial services segment increased by approximately RMB1,091,000, or 156% as compared to Year 2016, which was primarily due to more transaction costs were incurred in provision of financial consulting service. Due to a higher gross profit nature for this industry, the proportion of increase in cost of sales was significantly less than that of revenue.

Cost of sales of the healthcare and education segment increased by approximately RMB188,193,000, or 73% as compared to Year 2016. The reason for the higher increase in cost of sales than revenue is that the gross profit margin of newly acquired early childhood education project in Australia is lower than that of the original medical equipment.

The cost of sales of the new energy segment was approximately RMB6,384,847,000 in Year 2017, which includes the impact of the accounting adjustment of approximately RMB311,976,000 made on the premium over the cost of inventory and other non-current assets upon the acquisition of CHS in late 2016. If this accounting adjustment is excluded, the cost of sales would be approximately RMB6,072,871,000.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately RMB2,095,472,000, or 242%, from approximately RMB864,255,000 in Year 2016 to approximately RMB2,959,727,000 in Year 2017. The gross profit margin increased from 20% in Year 2016 to 27% in Year 2017. The gross profit and gross profit margin in Year 2017 mainly derived from the properties segment and new energy segment were approximately RMB953,054,000 and 47% (for the properties segment) and RMB1,857,067,000 and 23% (for the new energy segment) respectively. The increase in gross profit margin was mainly attributable to a higher average selling price of the properties achieved and diminishing accounting impact of amortisation of premium arising from acquisitions in Year 2017 than in Year 2016. In addition, only one month's gross profit of the new energy segment has been consolidated in the financial statements after its acquisition in Year 2016, while the whole year gross profit has been included in Year 2017, therefore the Group's gross profit in Year 2017 increased substantially.

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 RMB1,907,073,000 for Year 2017, as compared to a gain on change in fair value of approximately RMB3,361,459,000 for Year 2016. The fair value gain mainly derived from listed equity investments. The Group will closely monitor its investment performance and will adjust its investment plan and portfolio when necessary.

Management Discussion and Analysis

Other income and gains

Other income and gains increased by approximately RMB450,892,000, or 185%, from approximately RMB243,882,000 in Year 2016 to approximately RMB694,774,000 in Year 2017. Other income and gains in Year 2017 mainly included other interest income of approximately RMB167,240,000, investment income of approximately RMB120,902,000 and bank interest income of approximately RMB120,779,000. Other income and gains in Year 2016 mainly included other interest income of approximately RMB57,577,000, exchange gain of approximately RMB56,337,000 and bank interest income of approximately RMB38,546,000.

Other expenses

Other expenses of the Group increased by approximately RMB786,568,000, or 10,502%, from approximately RMB7,490,000 in Year 2016 to approximately RMB794,058,000. The other expenses in Year 2017 mainly included impairments loss on certain current and non-current assets of approximately RMB555,076,000, loss on disposal/liquidation of associates of approximately RMB128,151,000 and exchange loss of approximately RMB110,831,000. In consideration of poor performance of certain non-wind power business of new energy segment and high end healthcare service, indicators of impairment were identified. The management assessed the market conditions of these business lines and considered the situation may not be greatly improved in the foreseeable future. Accordingly, a significant impairment loss was made in 2017. The impairment losses of property, plant and equipment, trade receivables, investment in an associate, prepayments, deposits and other receivables, other intangible assets and goodwill were approximately RMB189,279,000, RMB107,841,000, RMB94,000,000, RMB85,664,000, RMB63,409,000 and RMB14,883,000 respectively. The impairment was determined by assessing the recoverable amounts of the related assets, for the details of impairment assessment or valuation, please refer to notes 14, 25, 20, 26, 18 and 17 to the consolidated financial statements attached to this annual report.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately RMB316,091,000, or 138%, from approximately RMB228,803,000 in Year 2016 to approximately RMB544,894,000, which was mainly due to the selling and distribution expenses of approximately RMB372,805,000 incurred from CHS, the subsidiary acquired in late 2016, have been included in Year 2017, while only one month of selling and distribution expenses amounted to approximately RMB59,074,000 from CHS was included in Year 2016.

Administrative expenses

Administrative expenses of the Group increased by approximately RMB908,408,000, or 179%, from approximately RMB507,853,000 in Year 2016 to approximately RMB1,416,261,000 in Year 2017. The increase in administrative expenses was mainly from CHS acquired in late 2016. The administrative expenses incurred by CHS was approximately RMB1,018,555,000 in Year 2017, which was approximately RMB882,960,000 higher than in Year 2016, in which only one-month administrative expenses have been consolidated. The administrative expenses in Year 2017 mainly included salaries and staff welfare of approximately RMB434,232,000, professional fees of approximately RMB115,980,000 and research and development expenses of approximately RMB354,627,000 (Year 2016: salaries and staff welfare of approximately RMB140,863,000, professional fee of approximately RMB87,696,000 and research and development expenses and license fee of approximately RMB100,555,000).

Finance costs

Finance costs of the Group increased by approximately RMB641,055,000, or 712%, from approximately RMB89,996,000 in Year 2016 to approximately RMB731,051,000 in Year 2017, which was mainly due to the finance costs of approximately RMB526,289,000 derived from CHS, the subsidiary acquired in late 2016, and the higher average borrowing amount of the Group in Year 2017 than in Year 2016.

Change in fair value of properties held for sale transferred to investment properties

During the Year 2017, the Group has transferred certain parts of its shopping mall of carrying value of approximately RMB733,863,000 from properties held for sale to investment properties for rental income or appreciation purpose. The fair value of these properties were approximately RMB1,150,000,000 at the date of transfer and was valued by a professional valuer. A fair value gain of approximately RMB416,137,000 was recorded. There was no similar transaction in Year 2016.

Gain on disposal of subsidiaries, net

In Year 2017, the Group disposed of certain subsidiaries, and recorded a net total gain of approximately RMB364,534,000. In February 2017 and April 2017, the Group completed the disposal of its 100% equity interest in Nanjing High Accurate Marine Equipment Co., Ltd.*（南京高精船用設備有限公司）and Zhenjiang Tongzhou Propeller Co., Ltd.*（鎮江同舟螺旋漿有限公司）at an aggregate cash consideration of RMB607,000,000. The Group completed its disposal of 100% equity interest in Nanjing Jingjing Photoelectric Science & Technology Co., Ltd.*（南京京晶光電科技有限公司）and its subsidiaries at a cash consideration of approximately RMB155,176,000 in April 2017. No gain or loss was recorded from above-mentioned transactions. In June 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 consideration of RMB787,000,000 and recorded a gain before tax of approximately RMB29,297,000. In July 2017, the Group completed the disposal of 90% equity interest in Chongqing Tongjing Changhao Property Limited*（重慶同景昌浩置業有限公司）at a consideration of RMB248,000,000, and recorded a loss before tax of approximately RMB3,248,000. In December 2017, the Group completed the disposal of 53.1% equity interest in Shenzhen Anke and its subsidiaries at a consideration of RMB303,450,000, and recorded a gain before tax of approximately RMB345,758,000 after considering the fair value of the remaining equity interest. The Group completed the disposal of 45% equity interest of Ordos Shenchuan Mining Equipment Manufacturing Co., Ltd*（鄂爾多斯市神傳礦用設備製造有限公司）at a consideration of approximately RMB7,000,000 and recorded a loss before tax of approximately RMB7,273,000.

Management Discussion and Analysis

In Year 2016, the Group disposed of certain subsidiaries, and recorded a net total gain of approximately RMB98,502,000. In June 2016, the Group completed the disposal of 100% equity interest in Fullshare Green Building Group Company Limited*（豐盛綠建集團有限公司）and its certain subsidiaries at a total consideration of RMB240,000,000 and recorded a gain before tax of approximately RMB14,283,000. In December 2016, the Group completed the disposal of 51% equity interest in Fudaksu Pte. Limited and its subsidiaries at a consideration of approximately RMB120,340,000 and recorded a gain before tax of approximately RMB64,124,000. In December 2016, the Group completed the disposal of 100% equity interest in Guangzhou Fullshare Healthcare Management Co., Ltd.*（廣州豐盛健康管理有限公司）and its subsidiaries at a consideration of RMB55,000,000 and recorded a gain before tax of approximately RMB45,460,000. In December 2016, the Group completed the disposal of 63% equity interest in Jiangsu New Best Zhong-Chuan Technology Co., Ltd *（江蘇新貝斯中傳科技有限公司）at a consideration of RMB18,000,000, and recorded a loss before tax of approximately RMB25,365,000.

Gain on a bargain purchase recognised in acquisition of subsidiaries

In June 2017, the Group acquired 100% equity interest of Kunshan Herong Properties Development Limited*（昆山和融房地產開發有限公司）(“**Kunshan Herong**”) at a consideration of approximately RMB26,410,000. As the fair values of the identifiable assets and liabilities of Kunshan Herong assessed by the independent valuer at the acquisition date was higher than the consideration, a gain on a bargain purchase recognised in acquisition of subsidiaries of approximately RMB38,038,000 was recorded.

In September 2016, the Group completed the acquisition of 100% equity interest of High Access International Investments Limited and its subsidiaries at a consideration of approximately RMB1,296,872,000 by issuing 341,555,000 shares of the Company. The Group recorded a gain on a bargain purchase recognised in acquisition of subsidiaries of approximately RMB3,752,000.

Share of profits and losses of joint ventures and associates

In Year 2017, the Group recorded net gains of approximately RMB152,950,000 and RMB65,922,000 from its joint ventures and associates respectively. The share of profits from joint ventures mainly derived from Five Seasons Cultural Tourism Development Company Limited*（五季文化旅遊發展有限公司）, a company principally engaged in provision of culture and tourism service, of approximately RMB80,319,000. The share of profits of associates mainly derived from ADHL, a company principally engaged in resort and property development, of approximately RMB56,803,000.

The share of result of joint ventures and associates in Year 2016 was immaterial.

Income tax expense

In Year 2017, the corporate income tax ("**CIT**") expense, the land appreciation tax ("**LAT**") expense and the deferred tax expense of the Group amounted to approximately RMB534,899,000, RMB155,524,000 and RMB286,004,000, respectively, and in Year 2016, the CIT expense, the LAT expense and the deferred tax expense amounted to approximately RMB295,237,000, RMB111,965,000 and RMB333,716,000, respectively. The current CIT expense in Year 2017 increased by approximately RMB239,662,000 as compared to Year 2016, mainly due to more gross profit generated from the properties and new energy segments than last year.

The LAT expense in Year 2017 increased by approximately RMB43,559,000 as compared to Year 2016. Although the properties sales in Year 2017 decreased, more LAT provision was provided in Year 2017 as the properties projects delivered in Year 2017 charged a higher effective LAT rate. The deferred tax expense in Year 2017 was mainly derived from the provision for the fair value gains in financial instruments of approximately RMB342,303,000 and fair value gains on investment properties of approximately RMB132,823,000; deferred tax credit from unpaid LAT provision of approximately RMB60,505,000 and reversal of deferred tax liabilities of approximately RMB119,464,000 recognised at the date of acquisition of CHS when the inventories were sold and non-current assets were amortised. The net deferred tax expense in Year 2016 was RMB333,716,000, which was mainly derived from the provision for the fair value gains in financial instruments of approximately RMB557,154,000 and deferred tax credit from reversal of deferred tax liabilities of approximately RMB58,666,000 recognised at the date of acquisition of CHS when the inventories were sold and reversal of approximately RMB144,737,000 recognised at the date of acquisition of Jiangsu Anjiali Company Limited*（江蘇安家利置業有限公司）upon the delivery of property units of Amber Garden Phase II*（琥珀花園二期）.

Profit for the year

In Year 2017, the Group recorded a profit of approximately RMB2,136,464,000. Excluding the net gain on disposal of subsidiaries of approximately RMB364,534,000, gain on bargain purchase recognised in acquisition of subsidiaries of approximately RMB38,038,000 and the relevant tax expenses of approximately RMB145,698,000 for the above gains, the Group recorded a net profit for approximately RMB1,879,590,000 for Year 2017. In Year 2016, the Group recorded a profit of approximately RMB3,002,284,000. Excluding the net profit on disposal of subsidiaries of approximately RMB98,502,000, gain on a bargain purchase of approximately RMB3,752,000 and the relevant tax expenses of approximately RMB4,455,000 for above gains, the Group recorded a net profit of approximately RMB2,904,485,000 for Year 2016. The adjusted net profit decreased by approximately RMB1,024,895,000 in Year 2017 as compared to the Year 2016. The decrease in net profit was mainly due to the decrease in profit after tax of the fair value gain in financial instruments of approximately RMB1,232,000,000.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

In Year 2017, the Group financed its operations and investments mainly by internally generated funds and debt financing.

Management Discussion and Analysis

Cash position

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB5,221,679,000, (31 December 2016: RMB3,864,068,000,) excluding pledged bank deposits, represented an increase by approximately RMB1,357,611,000, or 35% as compared to 31 December 2016.

Bank and other borrowings

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. As at 31 December 2016, bank and other borrowings of the Group amounted to approximately RMB8,975,918,000, including bank loans of approximately RMB7,498,855,000 and other borrowings of approximately RMB1,477,063,000. Among bank and other borrowings, approximately RMB6,225,935,000 are repayable within one year, approximately RMB991,841,000 are repayable over one year but not exceeding two years, RMB856,125,000 are repayable over two years but not exceeding five years and approximately RMB902,017,000 are repayable over five years.

The borrowings balance increased by approximately RMB3,076,523,000, or 34%, from 31 December 2016 to 31 December 2017, which was mainly used for new investments in Year 2017.

Corporate bonds

As at 31 December 2017, the corporate bonds of the Group amounted to approximately RMB1,919,988,000 (31 December 2016: RMB8,387,000). The interest rate was fixed and the balances were repayable over two years but not exceeding five years. The corporate bonds of approximately RMB1,912,018,000 and RMB7,970,000 were denominated in RMB and Hong Kong dollars respectively.

Leverage

As at 31 December 2017, total cash and cash equivalents of the Group amounted to approximately RMB5,221,679,000 (31 December 2016: RMB3,864,068,000), excluding pledged bank deposits). Total balances of bank and other borrowings, obligation under finance lease, convertible bonds and corporate bonds amounted to approximately RMB13,972,429,000 as at 31 December 2017 (31 December 2016: approximately RMB9,014,993,000). The gearing ratio of the Group as at 31 December 2017, calculated as a ratio of the sum of bank and other borrowings, obligation under finance lease, convertible bonds and corporate bonds to total assets, was approximately 26% (31 December 2016: approximately 19%). The net equity of the Group as at 31 December 2017 was approximately RMB27,203,699,000 (31 December 2016: approximately RMB26,313,670,000).

As at 31 December 2017, the Group recorded total current assets of approximately RMB31,630,524,000 (31 December 2016: RMB28,477,128,000) and total current liabilities of approximately RMB19,731,019,000 (31 December 2016: RMB17,356,839,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was about 1.6 as at 31 December 2017 (31 December 2016: 1.6).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

As at 31 December 2017, bank and other borrowings of approximately RMB9,668,367,000, RMB784,219,000, RMB190,298,000 and RMB1,409,557,000 were denominated in RMB, Hong Kong dollars, Euro dollars and US dollars (31 December 2016: RMB8,427,259,000, RMB409,919,000, nil and RMB138,740,000 respectively). Bank and other borrowings of approximately RMB8,685,724,000 (31 December 2016: RMB6,571,858,000) 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 currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

As at 31 December 2017, trade and bills receivables and trade and bills payables of the Group were approximately RMB6,650,273,000 and RMB6,814,951,000 (31 December 2016: RMB7,281,539,000 and RMB6,870,880,000), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

PLEDGE OF ASSETS

Details of the Group's pledged assets as at 31 December 2017 are set out in note 48 to the consolidated financial statements attached to this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

To expand the scale of operations and improve the quality of the assets of the Group, the Group conducted and completed the following material corporate acquisitions and disposals in Year 2017:

On 23 January 2017, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into an equity transfer agreement with Kunshan Ronghui Properties Development Limited*（昆山市融匯房地產開發有限公司）, as vendor, in relation to the acquisition of the entire equity interest in Kunshan Herong at a cash consideration of RMB26,410,000. Completion of the acquisition took place on 28 June 2017. Details of the acquisition were set out in the announcements of the Company dated 18 May 2016, 20 July 2016, 29 December 2016 and 23 January 2017 respectively.

On 3 March 2017, Five Seasons XXII Pte. Ltd. (“**Five Seasons XXII SG**”), the then direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (as supplemented by side letters dated 28 April 2017, 12 May 2017, 6 June 2017 and 26 July 2017 respectively) with GSH Properties Pte. Ltd., TYJ Group Pte. Ltd. and Vibrant DB2 Pte. Ltd. (collectively, the “**GSH Vendors**”), as vendors, in relation to (i) the acquisition of the entire issued and paid-up share capital of Plaza Ventures Pte. Ltd. (“**Plaza Ventures**”) at an initial aggregate consideration of S$231,943,895 (equivalent to approximately RMB1,130,841,068 as at 3 March 2017), subject to adjustments, and (ii) the transfer and assignment of the shareholder loans granted by the GSH Vendors to Plaza Ventures (the “**GSH Shareholders Loans**”) to Five Seasons XXII SG at an initial consideration equivalent to the amount of the GSH Shareholders Loans due and outstanding in the management accounts of Plaza Ventures as at 31 March 2017, subject to adjustments. On 26 July 2017, the Company disposed the entire equity interest in the sole shareholder of Five Seasons XXII SG and assigned a shareholder loan to FVF I (A) L.P. at the aggregate cash consideration of S$108,655,349.37 (equivalent to approximately RMB538,367,591.83 as at 26 July 2017), and both Five Seasons XXII SG and its sole shareholder ceased to be subsidiaries of the Company on the same date. Completion of the acquisition of Plaza Ventures and the assignment of the GSH Shareholders Loans by Five Seasons XXII SG took place on 31 July 2017. Details of the transactions were set out in the announcements of the Company dated 6 February 2017, 3 March 2017, 6 June 2017 and 26 July 2017 respectively.

On 20 April 2017, Nanjing High Accurate Drive, an indirect non-wholly owned subsidiary of the Company, as vendor, Jiangsu Shiji Yuntong Technology Co., Ltd.*（江蘇世紀運通科技有限公司）, as purchaser, entered into an equity transfer agreement in relation to the entire equity interest of Nanjing Jingjing Photoelectric Science & Technology Co., Ltd.*（南京京晶光電科技有限公司）for a cash consideration of approximately RMB155,176,000. Completion of the disposal took place on 20 April 2017. Details of the disposal were set out in the announcement of CHS dated 27 April 2017.

On 25 May 2017, Five Seasons VII Pty Ltd ("**Five Seasons VII AUS**"), an indirect wholly-owned subsidiary of the Company, as purchaser, and Nanjing Construction Group (Australia) Whisper Bay Pty Ltd as a trustee of the Nanjing Construction Group (Australia) Unit Trust ("**Nanjing Construction AUS**") as vendor, entered into a sale and purchase agreement whereby, among other things, Five Seasons VII AUS conditionally agreed to purchase, and Nanjing Construction AUS conditionally agreed to sell the entire issued share capital (the "**Sale Shares**") of Whisper On The Water Pty Ltd at the consideration of AU$1,021,590 (equivalent to approximately RMB5,258,635 as at 25 May 2017) (subject to adjustment); on the same date, the Group entered into certain land sale agreements with the relevant vendors, pursuant to which the Group conditionally agreed to purchase and the relevant vendors conditionally agreed to sell certain land properties at an aggregate consideration of AU$79,068,325 (equivalent to approximately RMB407,004,124 as at 25 May 2017) which, together with the aggregate consideration for the acquisition of the Sale Shares, shall be settled by the Company through allotting and issuing 165,442,061 new Shares (subject to adjustment) under specific mandate at the issue price of approximately HK$2.961 each to Nanjing Construction Group (BVI) Limited. The proposed acquisitions were subsequently terminated on 24 August 2017. Details of the proposed acquisitions and their terminations were set out in the announcements of the Company dated 26 May 2016, 25 November 2016, 25 May 2017, 26 May 2017, 16 June 2017, 14 July 2017 and 24 August 2017 respectively.

On 27 June 2017, Nanjing Fengli Equity Interest Investments Enterprise*（南京豐利股權投資企業）("**Nanjing Fengli**"), an indirect wholly-owned subsidiary of the Company, as vendor, Nanjing Changfa Dushi Real Estate Development Co. Ltd.*（南京長發都市房地產開發有限公司）("**Nanjing Changfa**"), as purchaser, and Nanjing Tianyun Real Estate Development Company Limited*（南京天韻房地產開發有限公司）("**Nanjing Tianyun**") entered into an equity interest transfer agreement pursuant to which, Nanjing Fengli conditionally agreed to sell, and Nanjing Changfa conditionally agreed to acquire, 80% equity interest in Nanjing Tianyun at the total consideration of RMB787,000,000. Completion of the disposal took place on 29 June 2017 and Nanjing Tianyun ceased to be a subsidiary of the Company. Details of the disposal were set out in the announcement of the Company dated 27 June 2017.

In October 2017, Nanjing High Accurate Drive, Nanjing Sanbao Technology Group Co., Ltd.*（南京三寶科技集團有限公司）and Zhongbang Jinkong Investment Co., Ltd.*（眾邦金控投資有限公司）agreed to adjust the total maximum capital contribution to Nanjing Dongbang Equipment Limited*（南京動邦裝備有限公司）("**Nanjing Dongbang**"), a joint venture company, from RMB2,000,000,000 to RMB50,000,000 by reducing their respective capital contribution to Nanjing Dongbang on a pro rata basis. The capital contribution made by Nanjing High Accurate Drive was reduced to RMB22,500,000 from its original amount of RMB900,000,000. The major business scope of the Nanjing Dongbang is investment in manufacturing industry. Due to the unfavorable economic environment as a whole, the capital contribution reduction can help retain resources for the development of other businesses of CHS and increase the effectiveness of use of funds. Details of the capital reduction were set out in the announcement of CHS dated 21 December 2017. On 22 December 2017, CHS also disposed its interest in Nanjing Dongbang to an independent third party.

Management Discussion and Analysis

On 20 November 2017, a direct wholly-owned subsidiary of the Company, as vendor, entered into an agreement (the "**ADHL Agreement**") with Hongkong Ruihua Investment Management Limited 香港瑞華投資管理有限公司, as purchaser, in relation to the disposal of 559,865,959 shares (the "**ADHL Sale Shares**") in ADHL, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 519), at a total consideration of HK$442,294,108, subject to terms and conditions as set out in the ADHL Agreement (the "**ADHL Disposal**"). As at the date of the ADHL Agreement, the ADHL Sale Shares represent approximately 22.35% of the then issued share capital of ADHL. Upon completion of the ADHL Disposal, the Group will cease to hold any equity interest in ADHL. Completion of the ADHL Disposal took place on 27 December 2017. Details of the disposal were set out in the announcement of the Company dated 20 November 2017.

On 22 December 2017, Nanjing Fenglue Asset Management Company Limited*（南京豐略資產管理有限公司）("**Nanjing Fenglue**") (as vendor), an indirect wholly-owned subsidiary of the Company entered into the disposal agreements (the "**Disposal Agreements**") with each of (i) the connected purchasers in relation to the disposal of approximately 31.75% of the total issued share capital of Shenzhen Anke at an aggregate cash consideration of RMB181,450,000; and (ii) the independent purchasers in relation to the disposal of approximately 21.35% of the total issued share capital of Shenzhen Anke at an aggregate cash consideration of RMB122,000,000. Completion of the disposals took place on 27 December 2017. Upon completion of the disposals, the Company will through Nanjing Fenglue hold approximately 19.09% of the total issued share capital of Shenzhen Anke and Shenzhen Anke ceased to be a subsidiary of the Company. Details of the disposal were set out in the announcement of the Company dated 22 December 2017.

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

In Year 2017, save as disclosed above in this report, the Group did not have any material acquisition or disposal of subsidiaries or associates.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the Year 2017 are set out in note 4 to the consolidated financial statements attached to this annual report.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at 31 December 2017 are set out in note 50 to the consolidated financial statements attached to this annual report.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2017 are set out in note 47 to the consolidated financial statements attached to this annual report.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend a final dividend of RMB1.5 cents (2016: RMB1.5 cents) per share in cash distributed from the share premium account of the Company for the Year 2017 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 1 June 2018. Such final dividend will not be subject to any withholding tax. As at 31 December 2017, the balance of the Company's share premium account was approximately RMB17,491,141,000. After the payment of the final dividend, assuming there are no other changes to the share premium account, the balance of the Company's share premium account is expected to be reduced to approximately RMB17,195,205,000. The proposed final dividend will be declared in RMB but paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the spot rate of RMB to Hong Kong dollars of 1.25 as announced by the Hongkong and Shanghai Banking Corporation Limited as at 29 March 2018.

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 25 May 2018 (the "**AGM**"). The final dividend is expected to be paid on 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 17 May 2018.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 31 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 30 May 2018.

STAFF AND REMUNERATION POLICIES

As at 31 December 2017, the Group had about 7,594 employees (31 December 2016: 9,325 employees). The Group's total staff costs (including executive directors' remuneration) amounted to approximately RMB1,499,686,000 in Year 2017 (Year 2016: approximately RMB230,130,000). 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. CHS, a subsidiary of the Group, has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants.

SUBSEQUENT EVENTS

As at 31 December 2017, details of the subsequent events of the Group are set out in note 55 to the consolidated financial statements attached to this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the Shareholders and other stakeholders.

The Company has applied the principles and complied with the Corporate Governance Code ("**CG Code**") as contained in Appendix 14 of the Listing Rules during the Year 2017 except for the following deviation:

On 14 August 2017, Mr. Deng Xiaoxiong ("**Mr. Deng**") has resigned as the co-CEO as Mr. Deng wished to focus on and allocate more time and effort to the management of the healthcare business of the Group.

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and CEO should be separate and should not be performed by the same individual. During the Year 2017, the positions of chairman and CEO of the Company were held by Mr. Ji. The Board believes that the holding of both positions of chairman and CEO by the same individual 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors regarding any non-compliance with the Model Code during the Year 2017, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the Year 2017.

BOARD OF DIRECTORS

The Board currently consists of a total of six Directors, comprising three executive Directors, and three INEDs. The composition of the Board during the year and up to date of this report are:

Executive Directors

Mr. Ji Changqun *(Chairman and CEO)*
Mr. Shi Zhiqiang
Mr. Wang Bo

INEDs

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

None of the existing Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other existing Director.

The Board is responsible for approving and monitoring the Group's strategies, policies and business plans, evaluating the performance of the Group and supervising the work of management. The management of the Company is responsible for the daily operations and administration of the Group.

During the Year 2017, the Chairman of the Board held a meeting with the INEDs without the presence of the executive Directors.

Board Meetings

During the Year 2017, the Company held eleven board meetings on 30 March 2017, 26 April 2017, 27 April 2017, 8 July 2017, two meetings in 24 August 2017, 31 August 2017, 31 October 2017, 11 December 2017, 17 December 2017 and 26 December 2017 respectively, the annual general meeting on 19 May 2017, four audit committee meetings on 24 January 2017, 29 March 2017, 28 August 2017 and 17 October 2017 respectively, one nomination committee meeting on 30 March 2017, two remuneration committee meetings on 30 March 2017 and 8 July 2017 respectively, and four risk management committee meetings on 30 March 2017, 8 July 2017, 28 August 2017 and 17 December 2017 respectively. The following is the attendance record of the Directors in the aforesaid meetings:

	Attendance/number of meetings held during the year of 2017						
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	Risk Management Committee Meetings	Annual General Meeting	Chairman with INEDs Meeting
Executive Directors							
Mr. Ji Changqun	11/11	n/a	2/2	1/1	n/a	1/1	1/1
Mr. Shi Zhiqiang	11/11	n/a	n/a	n/a	4/4	1/1	n/a
Mr. Wang Bo	11/11	n/a	n/a	n/a	4/4	1/1	n/a
INEDs							
Mr. Chow Siu Lui	9/11	4/4	n/a	n/a	n/a	1/1	1/1
Mr. Lau Chi Keung	11/11	4/4	2/2	1/1	n/a	1/1	1/1
Mr. Tsang Sai Chung	11/11	4/4	2/2	1/1	4/4	1/1	1/1

Corporate Governance Report

Corporate Governance Functions

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

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

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

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

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

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

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that requires every board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

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

All the INEDs were appointed for a specific term of three years and were subject to retirement by rotation and re-election in accordance with the Articles of Association at least once every three years.

The Company provides Directors with directors' liability insurance coverage to protect them from loss as a result of any legal proceeding against the Company.

The posts of the CEO and Chairman are both held by Mr. Ji, and Mr. Deng has resigned as the co-CEO on 14 August 2017. The reasons have been explained in the section headed "Corporate Governance Code" of this report.

Professional Continuous Development of Directors

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

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills to continue to make contributions to the Company. Directors also reviewed the regular business and financial updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. The records of the Directors' participation in various continuous professional development program is kept with the company secretarial department. A summary of training received by the Directors for the year ended 31 December 2017 according to the records provided by the Directors is as follows:–

Name of Directors	Attending seminars/ conferences/ forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive Directors		
Mr. Ji Changqun	✓	✓
Mr. Shi Zhiqiang	✓	✓
Mr. Wang Bo	✓	✓
INEDs		
Mr. Chow Siu Lui	✓	✓
Mr. Lau Chi Keung	✓	✓
Mr. Tsang Sai Chung	✓	✓

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 1 September 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy.

The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

A copy of the Board Diversity Policy has been published on the Stock Exchange's website for public information.

ROLE AND FUNCTION OF THE BOARD AND THE MANAGEMENT

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the management within the control and authority set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee. Further details of these committees are set out in this report.

BOARD MEETINGS AND BOARD PROCEDURAL MATTERS

The Board meets at least four times a year and has formal procedures to include matters to be referred to it for consideration and decisions at the Board meetings. Notice of at least 14 days is served for regular Board meetings. Each director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each director not less than three days before the date of the Board meeting to enable the Directors to make informed decision on the matters to be discussed except where a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matters. Between scheduled meetings, management provides information to the Directors on the activities of and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any Director may request the company secretary of the Company to arrange for independent professional advice to assist the Directors to effectively discharge their duties.

The personnel of the company secretarial department is responsible for taking minutes of the Board meetings and the Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the company secretarial department and are open for inspection by any Director/committee member.

Except for those circumstances permitted by the bye-laws and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 18 January 2006. The members during the Year 2017 were:

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

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management of the Company. No Director can determine his own remuneration package.

The terms of reference of the Remuneration Committee, which described its authority and duties, are available on the Company's website.

During the Year 2017, the Remuneration Committee held two meetings. Matters considered at the meetings included revision of the compensation payable to all Directors and senior management of the Group and recommendation to the Board on the Group's remuneration policy and structure. The attendance of each member at the Remuneration Committee meetings held in 2017 had been disclosed earlier in this report.

Remuneration payable to non-director and non-chief executive top five highest paid employees for the Year 2017 is set out below:

	Number of employees 2017
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	3
	4

Directors' emoluments comprise payments to Directors by the Group in connection with the management of the affairs of the Group and other benefits. The amounts paid to each Director for the year ended 31 December 2017 are shown in note 9 to the consolidated financial statements attached to this annual report.

AUDIT COMMITTEE

The Audit Committee was formed to review and supervise the financial reporting process and internal control of the Company. The Audit Committee currently comprises three INEDs and one member possesses the appropriate professional qualifications, business and financial experience and skills. The members during the Year 2017 were:

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

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the Year 2017, the Audit Committee held four meetings. Matters considered at the meetings included review of the Group's 2017 annual and interim results, the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held in 2017 had been disclosed earlier in this report.

NOMINATION COMMITTEE

The Nomination Committee was established on 9 November 2012. Its members during the Year 2017 were:

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

The Nomination Committee is responsible for establishing formal procedures for the appointments of new Directors and re-nomination and re-election of Directors. In nominating candidates for appointment of Directors, the Nomination Committee will consider their necessary expertise and experience as well as the Board Diversity Policy.

The terms of reference of the Nomination Committee, which described its authority and duties, are available on the Company's website.

During the Year 2017, the Nomination Committee held one meeting. Matters considered at the meeting included the revision of the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the INEDs. The attendance of each member at the Nomination Committee meeting held in 2017 had been disclosed earlier in this report.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on 16 December 2016. Its members during the Year 2017 were:

Mr. Shi Zhiqiang *(Chairman)*
Mr. Wang Bo
Mr. Tsang Sai Chung

The Risk Management Committee is responsible for identifying, discussing, addressing and reviewing the risks of the Company.

The terms of reference of the Risk Management Committee, which described its authority and duties, are available on the Company's website.

During the Year 2017, the Risk Management Committee held four meetings. Matters considered at the meetings included the discussion on reviewing the overall risks of the Company within the year, and delegating the authority to the risk management working group to follow up the risk issues. The attendance of each member at the Risk Management Committee meetings held in 2017 had been disclosed earlier in this report.

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company, Ms. Seto Ying, undertook not less than 15 hours of relevant professional training during the year ended 31 December 2017.

AUDITORS' REMUNERATION

The fees paid to the external auditor of the Company, for audit and non-audit services for the year ended 31 December 2017 amounted to approximately RMB7,970,000 (2016: RMB2,449,000) and approximately RMB300,000 (2016: RMB1,008,000) respectively.

Fees payable to the external auditor for non-audit service for the year amounted to approximately RMB300,000 with details are listed below:

Review and consultancy on the acquisition project	RMB300,000

In considering the appointment of external auditors, the Audit Committee has taken into consideration the future development of the Company, the relationship of the external auditors with the Company and their independence in the provision of non-audit services. Based on the results of the reviews and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Ernst & Young (the "**E&Y**") as the external auditors of the Company for the year 2018, subject to approval by the Shareholders at the forthcoming 2017 annual general meeting of the Company to be held on 18 May 2018. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

INTERNAL CONTROL

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

In order to improve the Group's internal controls, the Company has engaged RSM Consulting (Hong Kong) Limited ("**RSM**") to perform a review of the procedures, systems and controls for the Group. RSM has submitted its internal control review reports for the Group to the Audit Committee and the Board in August 2017 and March 2018 respectively. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal control, the Company has implemented an ongoing internal control review plan by engaging RSM for the coming year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2017. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2017 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 78 to 85 of this report.

COMMUNICATION WITH SHAREHOLDERS

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

Following the change of the Company's name, a Company's website at www.fullshare.com has been launched with more comprehensive information which enhances the transparency and communication effectiveness between the Company, the Shareholders and the investment community. The Company has established a number of channels to maintain an on-going dialogue with its Shareholders as follows:

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

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

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

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

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

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

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

The notice to Shareholders is to be sent in the case of an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered not less than 20 clear business days before the meeting. All other EGM may be called by not less than 10 clear business days' notice. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the meeting answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionist(s) shall convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting forward Proposals at a General Meeting

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

Procedures for Proposing a Person for Election as a Director

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

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

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

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

3. Both notices, completed in accordance with Rule 13.51(2) of the Listing Rules, are to be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

During the Year 2017, the Company has not made any changes to its Memorandum and Articles of Association. The updated version of the Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

Report of the Directors

The Board of the Company presents the annual report and the audited consolidated financial statements of the Group for the Year 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services and new energy business. Details of the principal activities of each of the principal subsidiaries of the Group are set out in note 1 to the consolidated financial statements attached to this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 86 to 87 of this annual report.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend a final dividend of RMB1.5 cents (2016: RMB1.5 cents) per share in cash distributed from the share premium account of the Company for the Year 2017 to the Shareholders whose names appear on the register of members of the Company on 1 June 2018. Such final dividend will not be subject to any withholding tax. As at 31 December 2017, the balance of the Company's share premium account was approximately RMB17,491,141,000. After the payment of the final dividend, assuming there are no other changes to the share premium account, the balance of the Company's share premium account is expected to be reduced to approximately RMB17,195,205,000. The proposed final dividend will be declared in RMB but paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the spot rate of RMB to Hong Kong dollars of 1.25 as announced by the Hongkong and Shanghai Banking Corporation Limited as at 29 March 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 17 May 2018.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 31 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 30 May 2018.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2016 and 2017 were as follows:

	2017 **RMB'000**	2016 RMB'000
Share premium	**17,491,141**	17,787,077
Contributed surplus	**82,603**	82,603
(Accumulated losses)/Retained profits	**(876,839)**	318,952
Total	**16,696,905**	18,188,632

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements attached to this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements attached to this annual report.

SHARE CAPITAL

Details of share capital of the Company are set out in note 42 to the consolidated financial statements attached to this annual report.

EQUITY-LINKED AGREEMENTS

During the Year 2017, save for the Notes (as defined below) issued under a subscription agreement and the Sale and Purchase Agreement (as defined below) dated 25 May 2017 (details are set out in the sections of "Fund Raising Activities" and "Connected and Continuing Connected Transactions – Connected Transactions" respectively in this annual report), no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year 2017 or subsisted at the end of the year.

FUND RAISING ACTIVITIES

On 7 September 2016, the Company entered into a subscription agreement with Macquarie Bank Limited ("**MBL**") to issue zero coupon convertible notes due 2017 (the "**Notes**") in an aggregate principal amount of HK$350,000,000 comprising five sub-tranches of HK$70,000,000 each at the issue price of 99% of the principal amount of the Notes. The Notes are convertible into ordinary shares of the Company at a conversion price of 95% of the volume weighted average price of the shares of the Company as traded on the Stock Exchange on the trading day immediately preceding the conversion date (the "**Conversion Price**"). The floor price, being the minimum conversion price, shall initially be HK$3.00 per share of the Company (the "**Floor Price**"), subject to adjustments. Pursuant to the terms of the subscription agreement, the Company is obliged to issue and MBL is obliged to subscribe and pay for, within 5 trading days after conversion of all the Notes of the immediately preceding sub-tranche, the next succeeding sub-tranche of the Notes.

The issue of the Notes and the right of conversion into shares of the Company attached to the Notes were approved and authorised by the Shareholders under specific mandate at the extraordinary general meeting of the Company held on 18 October 2016. During the year ended 31 December 2016, the first sub-tranche Notes, second sub-tranche Notes and the third sub-tranche Notes were issued on 1 November 2016, 17 November 2016 and 18 November 2016, respectively. During the year ended 31 December 2016, (i) the first sub-tranche Notes have been fully converted into a total of 16,940,000 shares of the Company from 1 November 2016 to 16 November 2016 at the conversion price ranging from HK$4.087850 to HK$4.155395 per share of the Company; (ii) the second sub-tranche Notes have been fully converted into a total of 16,640,000 shares of the Company from 17 November 2016 to 18 November 2016 at the conversion price of HK$4.146275 and HK$4.24118 per share of the Company respectively; and (iii) the third sub-tranche Notes have been partially converted in an aggregate principal amount of HK$45,000,000 into a total of 10,610,000 shares of the Company at HK$4.24118 per share of the Company on 18 November 2016.

The estimated net proceeds from the issue of all of the Notes of approximately HK$346,000,000 will be applied to finance any possible acquisitions or investments as and when opportunities arise and to supplement the general working capital of the Group. The Company has received the net proceeds of approximately HK$183,150,000 from the issue of the three sub-tranches of the Notes in the year ended 31 December 2016 which were used as intended as to approximately 79.31% to develop and invest in the healthcare segment of the Group and the remaining net proceeds as to approximately 20.69% were used for general working capital.

The Notes are redeemable at the option of the Company at a price of 99% of the principal amount of the Notes. Any Notes not converted will be redeemed at 99% of its principal amount on the maturity date (being 1 November 2017) (the "**Maturity Date**").

During the Year 2017, no outstanding third sub-tranche Notes were converted into new shares of the Company nor new sub-tranche of the Notes were issued. The outstanding third sub-tranche Notes were redeemed and cancelled by the Company on the Maturity Date at the remaining principal amount of HK$25,000,000. As at 31 December 2017, the Company has no outstanding Notes that are convertible into shares of the Company.

Further details of the subscription were set out in the announcement of the Company dated 7 September 2016, the circular of the Company dated 29 September 2016 and the interim report of the Company for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY OR ITS SUBSIDIARIES

In November 2014, CHS issued 8.3% guaranteed bonds due 20 November 2017 of a total principal amount of RMB650,000,000 with a listing on the Stock Exchange (the "**Bonds**"). As at 31 December 2015 and 31 December 2016, the outstanding principals of the Bonds amounted to RMB264,630,000.

On 29 November 2016, CHS issued an announcement to holders of the Bonds in relation to the change of control of CHS occurred on 29 November 2016 due to the acquisition by the Company (the "**Relevant Event**"). After the occurrence of the Relevant Event, a holder of the Bonds will have the right, at the option of such holder of the Bonds, to require CHS to redeem all, but not some only, of such bondholder's Bonds on 12 January 2017 at 101% of their principal amount together with accrued interest to 12 January 2017. As at 12 January 2017, CHS received valid put exercise notices from those holders of the Bonds holding such Bonds in the aggregate principal amount of RMB151,590,000 (the "**Redeemed Bonds**"). Settlement of the Redeemed Bonds (the "**Redemption**") was completed on 12 January 2017 (i.e., the Put Settlement Date) and the Redeemed Bonds were cancelled on the same date. The aggregate amount of consideration paid by CHS in relation to the Redemption was RMB154,898,000. CHS redeemed all outstanding Bonds in full upon maturity ("**Redemption on Maturity**") on 20 November 2017 by payment of a total consideration of approximately RMB117,795,000. After completion of the Redemption on Maturity, the Bonds were cancelled and delisted from the Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company or its subsidiaries during the Year 2017.

SHARE OPTION SCHEME

The Company's subsidiary, CHS, has adopted a share option scheme (the "**CHS Share Option Scheme**") on 8 June 2007. As at 1 January 2017, the total number of shares available for issue under the CHS Share Option Scheme was 108,000,000 shares, representing approximately 6.60% of the then issued shares in CHS. The CHS Share Option Scheme was expired on 8 June 2017. CHS did not grant any share option during the Year 2017. As at 31 December 2017, CHS had no outstanding share option.

Details of the CHS Share Option Scheme are set out in note 56 to the consolidated financial statements attached to this annual report.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2017, the Group's largest customer and five largest customers accounted for approximately 24% and 45% of the total sales for the year respectively. The Group's largest supplier and five largest suppliers accounted for approximately 6% and 25% of the total purchases for the year respectively. The aggregate purchases from the Group's five larger suppliers was less than 30% of the Group's total purchases during the Year 2017.

During the Year 2017, none of the Directors or any of their respective close associates nor any Shareholders who, to the knowledge of the Directors, hold 5% or more of the Company's share capital has any interest in any of the Group's five largest customers and suppliers.

DIRECTORS

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

Executive Directors:

Mr. Ji Changqun *(Chairman and CEO)*
Mr. Shi Zhiqiang
Mr. Wang Bo

Independent Non-Executive Directors:

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

In accordance with the provisions of the Articles of Association, Mr. Chow Siu Lui and Mr. Tsang Sai Chung will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

All Directors have a fixed service period of three years and can be terminated earlier by prior written notice given by either party to the other not less than three months. Each Director has entered into a service contract with the Company until the forthcoming general meeting of the Company after his appointment and will be eligible for re-election at that meeting. If he is re-elected, his appointment will continue unless terminated earlier by prior written notice given by either party to the other not less than three months. Each Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association at least once every three years.

None of the Directors has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the existing INEDs an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules and considers all the INEDs are independent.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, 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, 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 issued share capital of the Company
Mr. Ji	Beneficial owner and interest in controlled corporation (Note)	10,131,770,454	51.35%
Mr. Shi Zhiqiang	Beneficial owner	4,555,000	0.02%
Mr. Wang Bo	Beneficial owner	6,910,000	0.04%

Note: 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 (the "**BVI**") whose entire issued share capital is beneficially owned by Mr. Ji. Accordingly, Mr. Ji is interested in 10,131,770,454 Shares in total.

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

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 31 December 2017 are disclosed as follows:

Name of Director	Name of associated corporation	Nature of interests	Number of issued Shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Ji	Magnolia Wealth	Beneficial owner	1	100%

CHS

CHS (Stock Code: 658), which is listed on the Stock Exchange, was owned as to approximately 73.91% by the Company as at 31 December 2017 and is an indirect subsidiary of the Company. The interests of the Directors or chief executives of the Company in CHS as at 31 December 2017 are disclosed as follows:

Name of Director	Nature of interests	Corporate interests	Total	Approximate percentage of the 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)]

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 XVI Limited ("**Five Seasons XVI**"), which is incorporated in BVI and a wholly-owned subsidiary of the Company, which in turn is owned as to approximately 46.58% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which 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 XVI.

(2) This percentage has been determined based on 1,635,291,556 shares of CHS in issue as at 31 December 2017.

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

Hin Sang Group (Stock Code: 6893), which is listed on the Stock Exchange, was owned as to 22.86% interest by the Company as at 31 December 2017 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 31 December 2017 are disclosed as follows:

Name of Director	Nature of interests	Corporate interests	Total	Approximate percentage of the 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 a wholly-owned subsidiary the Company, which in turn is owned as to approximately 46.58% by Magnolia Wealth. Magnolia Wealth is the controlling shareholder of the Company, which 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 has been determined based on 1,093,508,000 shares of Hin Sang Group in issue as at 31 December 2017.

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 to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the Year 2017.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected and Continuing Connected Transactions" below and in note 51 to the consolidated financial statements attached to this annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Year 2017 or at any time during the Year 2017 nor had there been any contract of significance which had been entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year 2017.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in note 51 to the consolidated financial statements attached to this annual report are continuing connected transactions and/or connected transactions under the Listing Rules. Details of the connected transactions and continuing connected transactions of the Company, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

Connected Transactions

1. On 6 April 2017, Five Seasons XVII Limited ("**Fullshare LP**"), a wholly-owned subsidiary of the Company, DigitalU Limited (the "**Investor**") and Fullshare Investment Management Limited (the "**General Partner**") entered into the limited partnership agreement (the "**Limited Partnership Agreement**") in relation to the formation of Fullshare Global Opportunities Fund L.P. (the "**Fund**"). Pursuant to the Limited Partnership Agreement, Fullshare LP would make capital contribution of US$50 million to the Fund, representing approximately 36.90% of US$135.5 million, being the aggregate amount of cash agreed to be contributed as capital to the Fund by each of the limited partners.

   On 6 April 2017, Fullshare LP (as the grantor) and the Investor (as the grantee) entered into a call option agreement (the "**Call Option Agreement**"). Pursuant to the Call Option Agreement, in consideration of the sum of US$1.00, Fullshare LP has agreed to grant to the Investor the right to require Fullshare LP to transfer its entire interests in the Fund to the Investor at a price equal to the aggregate of (i) Fullshare LP's net capital contribution (i.e. aggregated capital contribution in the Fund less any available net proceeds distributed to Fullshare LP) and (ii) 6% per annum on Fullshare LP's aggregated capital contribution in the Fund, on the date of service of the option notice, in cash upon the terms and subject to the conditions of the Call Option Agreement, provided that all relevant requirements of the Limited Partnership Agreement were fulfilled, and all of the relevant laws, the requirements of the Listing Rules and the requests of the Stock Exchange (if applicable) were complied with.

   As Mr. Ji is the ultimate controlling shareholder of the Company directly and indirectly through Magnolia Wealth holding a total of 10,126,770,454 Shares, representing approximately 51.33% of the total issued share capital of the Company as at the date of the Limited Partnership Agreement, and he is also the chairman of the Board, the CEO and an executive Director of the Company and Magnolia Wealth is a controlling shareholder of the Company directly holding 9,188,860,454 Shares representing approximately 46.58% of the total issued share capital of the Company as at the date of the Limited Partnership Agreement, each of Mr. Ji and Magnolia Wealth is a connected person of the Company under Chapter 14A of the Listing Rules.

   Given that Mr. Ji has provided personal guarantee, and Magnolia Wealth has provided corporate guarantee and a share charge over certain Shares held by Magnolia Wealth in favour of a lender for a loan of Mr. Wang Jun's (being the ultimate beneficial owner of the Investor and indirectly holding 75% interest through MeLifeEco Limited in the General Partner as at 6 April 2017) wholly-owned subsidiaries in a principal amount of US$85,500,000 with respect to the transaction contemplated under the Limited Partnership Agreement (the "**Guarantee**"), each of MeLifeEco Limited, the Investor and Mr. Wang Jun is a deemed connected person of the Company under Rule 14A.20 of the Listing Rules, and the formation of the Fund pursuant to the Limited Partnership Agreement and the grant of the call option under the Call Option Agreement shall constitute connected transactions of the Company.

   As Mr. Ji is considered to have material interest in the transactions contemplated under the Limited Partnership Agreement and the Call Option Agreement due to the fact of provision of the Guarantee, Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the Limited Partnership Agreement and the Call Option Agreement.

On 29 June 2017, an amount of approximately US$87,487 was made by Fullshare LP in the form of subscription of limited partnership interest in the Fund to pay for the expenses of the Fund.

On 1 November 2017, Fullshare LP entered into a subscription agreement with the Fund (the "**Subscription Agreement**"), pursuant to which Fullshare LP agreed to further subscribe for limited partnership interest in the Fund with a committed capital contribution of US$17,480,688. Upon completion of the further subscription, Fullshare LP's interest in the Fund was increased to approximately 44.11% and the Investor was interested in approximately 55.89% interest in the Fund.

As at 31 December 2017, Fullshare LP has made a total capital contribution of approximately US$67,568,175 in the Fund.

As stated above, each of MeLifeEco Limited, the Investor and Mr. Wang Jun, is a deemed connected person of the Company under Rule 14A.20 of the Listing Rules as a result of the provision of the Guarantee, since Mr. Wang Jun through the Investor is interested in approximately 55.89% interest in the Fund and has 75% interest in the General Partner through MeLifeEco Limited, the Fund is an associate of Mr. Wang Jun and therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules as at the date of the Subscription Agreement. The Subscription Agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company. Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the Subscription Agreement.

The formation of the Fund and the subscriptions are in line with the Group's business strategy to expand its platform in the grand health industry and the market needs of a higher-quality and healthier lifestyle.

Please refer to the Company's announcements dated 6 April 2017 and 1 November 2017 respectively for further details.

2. On 25 May 2017, Five Seasons VII AUS, an indirect wholly-owned subsidiary of the Company, and Nanjing Construction AUS entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") whereby, among other things, Five Seasons VII AUS conditionally agreed to purchase, and Nanjing Construction AUS conditionally agreed to sell 12 ordinary shares of AU$1.00 each (the "**Sale Shares**") in the share capital of Whisper On The Water Pty Ltd (the "**Target Company**") which represents the entire issued share capital of the Target Company at the consideration of AU$1,021,590 (equivalent to approximately RMB5,258,635) (subject to adjustment), which, together with the aggregate consideration for the acquisition of the Laguna Land, the Snowy River Land, the Whisper Bay Land, the Altmann Land and the Shingley Land (the "**Land Properties**"), settled by the Company through allotting and issuing 165,442,061 shares (the "**Consideration Shares**") at the issue price (the "**Issue Price**") of approximately HK$2.961 each to Nanjing Construction Group (BVI) Limited ("**Nanjing Construction BVI**"), a wholly-owned subsidiary of Nanjing Jiangong Group Co., Limited*（南京建工集團有限公司）("**Nanjing Jiangong Group**").

   On 25 May 2017, Five Seasons VII (A) Pty Ltd ("**Five Seasons VII (A) AUS**"), an indirect wholly-owned subsidiary of the Company, and Whisper Bay Whitsundays Pty Ltd. ("**Whisper Bay AUS**") entered into the Laguna land sale agreement (the "**Laguna Land Sale Agreement**") whereby, among other things, Five Seasons VII (A) AUS conditionally agreed to purchase, and Whisper Bay AUS conditionally agreed to sell the land located at Laguna Quays (Unit 1420 Cascade Condominiums and Lot 23 Lakeside Turtle Point) with an aggregate site area of approximately 1.064 hectares (the "**Laguna Land Property**") at a consideration of AU$245,000 (equivalent to approximately RMB1,261,138), which, together with the consideration payable for the acquisition of the Sale Shares, settled by the Company through allotting and issuing to the Nanjing Construction BVI the Consideration Shares at the Issue Price.

   On 25 May 2017, Five Seasons VII (A) AUS and Whisper Bay AUS entered into the Snowy River land sale agreement (the "**Snowy River Land Sale Agreement**") whereby, among other things, Five Seasons VII (A) AUS conditionally agreed to purchase, and Whisper Bay AUS conditionally agreed to sell the land located at Snowy Riverway, Beloka NSW with an aggregate site area of approximately 1,141.12 hectares (the "**Snowy River Land Property**") at a consideration of AU$1,350,000 (equivalent to approximately RMB6,949,125), which, together with the consideration payable for the acquisition of the Sale Shares, settled by the Company through allotting and issuing to the Nanjing Construction BVI the Consideration Shares at the Issue Price.

   On 25 May 2017, Five Seasons VII (A) AUS and Whisper Bay AUS entered into the Whisper Bay land sale agreement (the "**Whisper Bay Land Sale Agreement**") whereby, among other things, Five Seasons VII (A) AUS conditionally agreed to purchase, and Whisper Bay AUS conditionally agreed to sell the land located at 11 Altmann Ave, Cannonvale QLD 4802 with site area of approximately 2.55 hectares (the "**Whisper Bay Land Property**") at a consideration of AU$73,173,325 (equivalent to approximately RMB376,659,611), which, together with the consideration payable for the acquisition of the Sale Shares, settled by Five Seasons VII (A) AUS through settling-off the amount AU$5,934,380 which has been paid as deposit before the date of the Whisper Bay Land Sale Agreement and the Company through allotting and issuing to the Nanjing Construction BVI the Consideration Shares at the Issue Price.

On 25 May 2017, Five Seasons VII (B) Pty Ltd ("**Five Seasons VII (B) AUS**"), an indirect wholly-owned subsidiary of the Company, and Whisper Bay Views Pty Ltd. (the "**Whisper Bay Views AUS**") entered into the Altmann land sale agreement (the "**Altmann Land Sale Agreement**") whereby, among other things, Five Seasons VII (B) AUS conditionally agreed to purchase, and Whisper Bay Views AUS conditionally agreed to sell the land located at 14c and 26 Altmann Avenue, Cannonvale QLD 4802 with an aggregate site area of approximately 5.089 hectares (the "**Altmann Land Property**") at an aggregate consideration of AU$2,100,000 (equivalent to approximately RMB10,809,750), which, together with the consideration payable for the acquisition of the Sale Shares, settled by the Company through allotting and issuing to the Nanjing Construction BVI the Consideration Shares at the Issue Price.

On 25 May 2017, Five Seasons VII (B) AUS and Whisper Bay Views AUS entered into the Shingley land sale agreement (the "**Shingley Land Sale Agreement**", together with the Laguna Land Sale Agreement, Snowy River Land Sale Agreement, Whisper Bay Land Sale Agreement and Altmann Land Sale Agreement as the "**Land Sale Agreements**") whereby, among other things, Five Seasons VII (B) AUS conditionally agreed to purchase, and Whisper Bay Views AUS conditionally agreed to sell the land located at 145 Shingley Dv, Cannonvale QLD 4802 with an aggregate site area of approximately 4.016 hectares (the "**Shingley Land Property**") at an aggregate consideration of AU$2,200,000 (equivalent to approximately RMB11,324,500), which, together with the consideration payable for the acquisition of Sale Shares, settled by the Company through allotting and issuing to the Nanjing Construction BVI the Consideration Shares at the Issue Price.

Given that Mr. Ji is a controlling shareholder and an executive Director of the Company, Mr. Ji is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Nanjing Construction AUS, Whisper Bay AUS, Whisper Bay Views AUS and Nanjing Construction BVI are direct or indirect wholly-owned subsidiaries of Nanjing Jiangong Group whose more than 50% equity interest is beneficially owned by Mr. Ji Changbin (the elder brother of Mr. Ji) and each of Whisper Bay AUS and Whisper Bay Views AUS is an indirect wholly-owned subsidiary of Nanjing Construction AUS as at 25 May 2017, Nanjing Construction AUS, Whisper Bay AUS, Whisper Bay Views AUS and Nanjing Construction BVI are associates of Mr. Ji and therefore connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the Sale and Purchase Agreement and the Land Sale Agreements (collectively, the "**Transaction Documents**") and the transactions contemplated thereunder constitute share transactions and connected transactions of the Company. The Consideration Shares will be issued by the Company under specific mandate to be sought from the independent shareholders of the Company.

As Mr. Ji is considered to be interested in the Sale and Purchase Agreement and the Land Sale Agreements, Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the Sale and Purchase Agreement and the Land Sale Agreements.

The reasons for entering into the Sale and Purchase Agreements and Land Sale Agreements were to have further development into the tourism and resorts projects by the Group in Australia, so as to extend the footprints of its property development segment into different regions and jurisdictions in additional to the PRC.

Please refer to the Company's announcement dated 25 May 2017 for more details.

Termination of the Sale and Purchase Agreement and the Land Sale Agreements

On 24 August 2017, Five Seasons VII AUS delivered a termination notice (the "**SPA Termination Notice**") to each of Nanjing Construction AUS, Nanjing Construction BVI, the Target Company and the Company to terminate the Sale and Purchase Agreement with immediate effect. Each of the relevant parties has acknowledged receipt of the SPA Termination Notice and confirmed that they do not have any claim against any parties to the Sale and Purchase Agreement.

On 24 August 2017, Five Seasons VII (A) AUS delivered a termination notice to each of Whisper Bay AUS, Nanjing Construction BVI and the Company to terminate the Laguna Land Sale Agreement, the Whisper Bay Land Sale Agreement and the Snowy River Land Sale Agreement (the "**Termination Notice A**") respectively with immediate effect. Furthermore, the Termination Notice A provides that the cash deposit in the amount of AU$ 5,934,380 (equivalent to approximately RMB31,209,000) (the "**Cash Deposit**") would be refunded to Five Seasons VII (A) AUS as soon as possible, in any event no later than 23 November 2017. Each of the relevant parties has acknowledged receipt of the Termination Notice A and confirmed that they do not have any claim against any parties to the Laguna Land Sale Agreement, the Whisper Bay Land Sale Agreement and the Snowy River Land Sale Agreement. In particular, Whisper Bay AUS irrevocably and unconditionally undertakes and covenants to refund the Cash Deposit to Five Seasons VII (A) AUS as soon as possible, in any event no later than 23 November 2017.

On 24 August 2017, Five Seasons VII (B) AUS delivered a termination notice to each of the Whisper Bay Views AUS, Nanjing Construction BVI and the Company to terminate the Altmann Land Sale Agreement and the Shingley Land Sale Agreement (the "**Termination Notice B**", together with the SPA Termination Notice and the Termination Notice A as the "**Termination Documents**") respectively. Each of the relevant parties has acknowledged receipt of the Termination Notice B and confirmed that they do not have any claim against any parties to the Altmann Land Sale Agreement and the Shingley Land Sale Agreement.

The Group decided not to proceed further with the acquisition of the Sale Shares and the acquisition of the Land Properties due to the conditions precedent as set out in the Transaction Documents had not been satisfied within 90 days after the date of the respective Transaction Documents (i.e. by 23 August 2017) and after an assessment of the then market situation.

As mentioned above, the transactions contemplated under the Transaction Documents constituted share transactions and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the Termination Documents.

Please refer to the Company's announcement dated 24 August 2017 for more details of such termination.

3. On 27 June 2017, Nanjing Fengli, Nanjing Changfa and Nanjing Tianyun entered into an interest transfer agreement (the "**Equity Interest Transfer Agreement**") pursuant to which, Nanjing Fengli has conditionally agreed to sell, and Nanjing Changfa has conditionally agreed to acquire, 80% equity interest in Nanjing Tianyun at the consideration of RMB787 million. among which RMB694 million of the total consideration shall be deemed to be paid as Nanjing Changfa has assumed the liabilities to pay amounts due on behalf of Nanjing Fengli and the remaining RMB93 million shall be paid within 120 days after the completion of the equity interest transfer procedures and the registration of the pledge over 20% equity interest of Nanjing Tianyun by Nanjing Changfa in favour of Nanjing Fengli with the relevant Administration for Industry and Commerce in the PRC.

   As at the date of the Equity Interest Transfer Agreement, Nanjing Changfa holds the entire equity interest in 南京通路資產管理有限公司 (Nanjing Tonglu Asset Management Limited*) ("**Nanjing Tonglu**"), which as at the date of the Equity Interest Transfer Agreement directly holds 15% equity interest in Nanjing Tianyun and is a wholly-owned subsidiary of Nanjing Changfa. Accordingly, Nanjing Changfa is an associate of Nanjing Tonglu and a connected person of the Company at the subsidiary level. As such, the disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

   The reasons for the disposal were that the Company considered that the realization of the remaining properties which have not been contracted for sale of ZhuGong*（諸公）(being the principal asset of Nanjing Tianyun) might take a longer time than expected, and the disposal was in the interest of the Company and its Shareholders than waiting for the sales of the underlying properties.

   As at 31 December 2017, the above transaction has been completed. Please refer to the Company's announcement dated 27 June 2017 for further details.

4. On 22 December 2017, Nanjing Fenglue Asset Management Company Limited*（南京豐略資產管理有限公司）("**Nanjing Fenglue**"), an indirect wholly-owned subsidiary of the Company entered into the disposal agreements with each of (I) (i) Shenzhen Ying Sun Investment Partnership (Limited Partnership)*（深圳影新投資合夥企業（有限合夥））("**Ying Sun Investment**"); (ii) Shenzhen Ying Tuo Investment Partnership (Limited Partnership)*（深圳影拓投資合夥企業（有限合夥））("**Ying Tuo Investment**"); (iii) Shenzhen Ying Shun Investment Partnership (Limited Partnership)*（深圳影信投資合夥企業（有限合夥））("**Ying Shun Investment**"); and (iv) Mr. Zhu Liming ("**Mr. Zhu**") (collectively, the "**Connected Purchasers**") in relation to the disposal of approximately 31.75% of the total issued share capital of Shenzhen Anke at an aggregate cash consideration of RMB181,450,000 (the "**CT Disposal Agreements**"); and (II) (i) Jiangsuminying Investment Holding Limited*（江蘇民營投資控股有限公司）("**Sumin Investment**"); (ii) Yancheng Yuehong Culture Fund Management Center (Limited Partnership)*（鹽城悦宏文化基金管理中心（有限合夥））("**Yuehong Fund Management**"); and (iii) Ms. Tang Jie ("**Ms. Tang**") (collectively, the "**Independent Purchasers**") in relation to the disposal of approximately 21.35% of the total issued share capital of Shenzhen Anke at an aggregate cash consideration of RMB122,000,000 (the "**Independent Disposal Agreements**") (the "**Disposals**"). Upon completion of the Disposals, the Company will through Nanjing Fenglue hold approximately 19.09% of the total issued share capital of Shenzhen Anke, and Shenzhen Anke will cease to be a subsidiary of the Group.

   As at 22 December 2017, Mr. Zhu is a director of Shenzhen Anke and thus a connected person of the Company at the subsidiary level. As Mr. Zhu is interested in 90% in each of Ying Sun Investment, Ying Tuo Investment and Ying Shun Investment as at the date of the CT Disposal Agreements, each of Ying Sun Investment, Ying Tuo Investment and Ying Shun Investment is an associate of Mr. Zhu and thus a connected person of the Company at the subsidiary level. Therefore, the disposal under the CT Disposal Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

   Since one of the current shareholders of Shenzhen Anke holding approximately 8.56% in Shenzhen Anke is an associate of Mr. Ji, Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the above Disposals.

   The Company believes that the disposal to such Connected Purchasers provides incentives to the management of Shenzhen Anke as well as a more efficient manner to facilitate the future operation and development of Shenzhen Anke. In addition, taking into account the consideration for the Disposals and the unaudited gain as a result of the Disposals, the Directors consider the Disposals represent a satisfactory gain over the acquisition cost of Shenzhen Anke and enable the Group to make available funds from the proceeds of the Disposals towards development and expansion of the Group's principle business through other investment when opportunities arise.

   As at 31 December 2017, the above Disposals have been completed. Please refer to the Company's announcement dated 22 December 2017 for further details.

Continuing connected transactions

1. On 27 May 2015, the Company (as service provider) entered into a service agreement (collectively, the "**Service Agreements**") with each of Fullshare Group Pte. Ltd.*（豐盛集團私人有限公司）("**Fullshare Singapore**") (the "**Fullshare Singapore Service Agreement**"), Fullshare International (Australia) Pty. Ltd. ("**Fullshare Australia**") (the "**Fullshare Australia Service Agreement**"), Fullshare International (Australia) Cairns Pty. Ltd. ("**Fullshare Cairns**") (the "**Fullshare Cairns Agreement**"), Fullshare Industrial Holding Group (Australia) Cairns Pty Ltd ATF Fullshare Industrial Holding Group (Australia) Cairns Unit Trust ("**Fullshare CUT**") (the "**Fullshare CUT Service Agreement**"), Nanjing Construction Group (Australia) Whisper Bay Pty ATF Nanjing Construction Group (Australia) Unit Trust ("**NCGA**") (the "**NCGA Service Agreement**") and Nanjing Construction Group (Australia) Investment Management Pty Ltd ATF Nanjing Construction Group (Australia) Investment Management Unit Trust ("**NCGA Investment**") (the "**NCGA Investment Service Agreement**") (Fullshare Singapore, Fullshare Australia, Fullshare Cairns, Fullshare CUT, NCGA and NCGA Investment are collectively referred to as the "**Overseas Private Group**"), to regulate and provide the framework for the provision of the operation, administration and management services to be provided by the Group to the Overseas Private Group.

   As at 27 May 2015, Mr. Ji is interested in approximately 67.66% of the then issued share capital in the Company and the chairman of the Board, the CEO and an executive Director of the Company. Accordingly, Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules.

   Mr. Ji directly holds 100% equity interest in Fullshare Singapore and is indirectly interested in approximately 96.15%, 96.15% and 79.74% equity interest in Fullshare Australia, Fullshare Cairns and Fullshare CUT as at 27 May 2015, respectively, and therefore each of Fullshare Singapore, Fullshare Australia, Fullshare Cairns and Fullshare CUT is an associate of Mr. Ji and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

   Mr. Ji Changbin is an elder brother of Mr. Ji, and beneficially owns more than 50% equity interest in Nanjing Jiangong Group which in turn holds the entire equity interest of each of NCGA and NCGA Investment as at 27 May 2015. Hence, each of Mr. Ji Changbin, Nanjing Jiangong Group, NCGA and NCGA Investment is an associate of Mr. Ji and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

   As such, each of the Fullshare Singapore Service Agreement, the Fullshare Australia Service Agreement, the Fullshare Cairns Service Agreement, the Fullshare CUT Service Agreement, the NCGA Service Agreement and the NCGA Investment Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

   Further details of the continuing connected transactions were disclosed in the Company's announcement dated 27 May 2015.

Termination of certain continuing connected transactions

Except for the Fullshare Singapore Service Agreement and the NCGA Service Agreement, (i) the Fullshare Australia Service Agreement and the NCGA Investment Service Agreement were terminated pursuant to the termination agreement entered into by the Company dated 21 April 2016 and such termination was completed on 4 May 2016; and (ii) the Fullshare Cairns Service Agreement and the Fullshare CUT Service Agreement were terminated pursuant to the termination agreement entered into by the Company dated 4 July 2016 and such termination was completed on 9 November 2016, respectively.

After completion of such termination, these transactions no longer constitute continuing connected transactions of the Company. Further details regarding the termination of such continuing connected transactions were disclosed in the Company's announcements dated 21 April 2016 and 4 July 2016 respectively.

Termination and restoration of the NCGA Service Agreement

On 27 May 2017, the Company entered into the termination agreement with Fullshare Holdings (Australia) Service Management Pty Ltd ("**Fullshare Holdings Australia Management**") and NCGA (the "**NCGA Termination Agreement**"), pursuant to which the parties agreed to terminate the NCGA Service Agreement and a service contract dated 1 July 2015 entered into between Fullshare Holdings Australia Management and NCGA as a separate agreement pursuant to the NCGA Service Agreement (the "**NCGA Contract**") subject to and with effect from the completion date as specified in the Sale and Purchase Agreement (as defined above under section "Connected Transactions" of this report) .

The Directors confirm that neither the Company, NCGA nor Fullshare Holdings Australia Management has to pay the other party any penalty and/or compensation as a result of the termination.

Since NCGA is ultimately controlled by Mr. Ji Changbin, who is the elder brother of Mr. Ji (being the chairman, the CEO, an executive Director and a controlling shareholder of the Company), each of NCGA and its subsidiaries is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the NGCA Service Agreement and NCGA Contract therefore constituted continuing connected transactions of the Company under the Listing Rules. Hence, Mr. Ji has abstained from voting on the relevant board resolutions of the Company in relation to the NCGA Termination Agreement and the transactions contemplated thereunder.

The reason for terminating the NCGA Service Agreement is due to the completion of the Transaction Documents (as defined above under section "Connected Transactions" of this report), the services provided under the NCGA Service Agreement would no longer be required.

Further details of the termination of the NCGA Service Agreement were disclosed in the Company's announcement dated 25 May 2017.

On 24 August 2017, NCGA entered into an agreement in relation to the cancellation of the NCGA Termination Agreement with the Company and Fullshare Holdings Australia Management pursuant to which the parties have agreed to cancel and terminate the NCGA Termination Agreement, such that the NCGA Service Agreement would be rendered effective and remained unchanged with full effect since 27 May 2015.

The reason for such restoration is due to the termination of the Transaction Documents on 24 August 2017, NCGA and its subsidiaries would still require the services provided under the NCGA Service Agreement.

Further details of the restoration of the NCGA Service Agreement were disclosed in the Company's announcement dated 24 August 2017.

Renewal of continuing connected transactions

The Fullshare Singapore Service Agreement and the NCGA Service Agreement (collectively the "**Existing Service Agreements**") had expired on 31 December 2017 in accordance with the terms of the respective service agreements. On 12 December 2017, the relevant parties to each of the Existing Service Agreements have agreed to continue with the arrangement under the relevant Existing Service Agreements after expiry of their terms by entering into the renewal agreement for Fullshare Singapore Service Agreement (the "**New Fullshare Singapore Service Agreement**") and the renewal agreement for NCGA Service Agreement (the "**New NCGA Service Agreement**") (collectively, the "**New Service Agreements**") upon similar terms and/or conditions and covering similar scope of services as in the relevant Existing Service Agreements.

The original annual caps for the continuing connected transactions contemplated under the Existing Service Agreements for the three financial years ended 31 December 2017 are set out as follows:

	For the year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	RMB'000	RMB'000
Fullshare Singapore Service Agreement	9,200	9,660	10,212
NCGA Service Agreement	2,940	2,940	2,940

The actual amounts of the transactions under the Existing Service Agreements incurred up to 31 December 2017 are listed below:

	For the year ended 31 December 2017
	RMB'000
Fullshare Singapore Service Agreement	4,792
NCGA Service Agreement	1,493

The proposed annual caps for the continuing connected transactions contemplated under the New Service Agreements for the three financial years ending 31 December 2020 are set out as follows:

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

As at 12 December 2017, Mr. Ji, indirectly holds more than 30% equity interest in Nanjing Fullshare Holding, which in turn hold more than 50% equity interest in Nanjing Jiangong Group. Mr. Ji Changrong, a brother of Mr. Ji, holds more than 10% but less than 30% equity interest in Nanjing Fullshare Holding, which in turn holds more than 50% equity interest in Nanjing Jiangong Group. Mr. Ji Changbin, also a brother of Mr. Ji, beneficially owns more than 30% equity interest in Nanjing Jiangong Group, which in turn holds the entire equity interest in NCGA. Therefore, NCGA is an associate of Mr. Ji and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

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

Further details of the renewal of such continuing connected transactions were disclosed in the Company's announcement dated 12 December 2017.

2. On 17 August 2015, the Company entered into a master agreement (the "**Existing Master Agreement**") with Nanjing Fullshare Holding, pursuant to which the Company has agreed to provide, or procure its subsidiaries to provide, the green building services to Nanjing Fullshare Holding.

   Mr. Ji is interested in approximately 64.48% of the issued share capital in the Company as at 17 August 2015 and is the chairman of the Board, the CEO and an executive Director, therefore Mr. Ji is a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Ji is directly and indirectly interested in an aggregate of approximately 79.74% of the issued share capital of Nanjing Fullshare Holding, and therefore each of Nanjing Fullshare Holding and its subsidiaries is an associate of Mr. Ji and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Existing Master Agreement constitute continuing connected transactions of the Company.

The original annual caps for the transactions contemplated under the Existing Master Agreement for the three financial years ended 31 December 2017 respectively were as follows:

	For the year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	RMB'000	RMB'000
Technical design and consultant services	180,000	151,500	160,000
Green management and services	100,000	137,000	137,500
Green construction services(1)	40,000	41,500	42,500
Total	320,000	330,000	340,000

Note (1): After the completion of the disposal of the entire equity interest of Fullshare Green Building Group Company Limited*（豐盛綠建集團有限公司）on 29 June 2016, the Group will no longer provide green construction services, but still provide technical design and consultant services and green management and services. Further details of such disposal was disclosed in the Company's announcement dated 22 June 2016.

The actual amounts of the transactions contemplated under the Existing Master Agreement incurred up to 31 December 2017 are listed below:

	For the year ended 31 December 2017
	RMB'000
Technical design and consultant services	11,657
Green management and services	–
	11,657

Further details of such continuing connected transactions were disclosed in the Company's announcement dated 17 August 2015 and the Company's circular dated 13 October 2015 respectively.

The New Master Agreement

The Existing Master Agreement entered into between the Company and Nanjing Fullshare Holding had expired on 31 December 2017 in accordance with the terms of the Existing Master Agreement. On 22 December 2017, the parties to the Existing Master Agreement have agreed to continue with the arrangement under the Existing Master Agreement after the expiry of its term by entering into a new master agreement upon similar terms and conditions as in the Existing Master Agreement with the scope of services only focusing on the technical design and consultant services and green management and services (the "**New Master Agreement**").

The proposed annual caps for the transactions contemplated under the New Master Agreement for the three financial years ending 31 December 2020 respectively were as follows:

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

As at 22 December 2017, Mr. Ji indirectly holds more than 30% equity interest in Nanjing Fullshare Holding and therefore Nanjing Fullshare Holding is an associate of Mr. Ji and thus a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Ji Changrong, a brother of Mr. Ji, holds more than 10% but less than 30% equity interest in Nanjing Fullshare Holding. Mr. Shi Zhiqiang ("**Mr. Shi**"), being an executive Director and Shareholder of the Company, is indirectly interested in approximately 6.334% equity interest in Nanjing Fullshare Holding.

Accordingly, the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Mr. Ji and Mr. Shi have abstained from voting on the relevant Board resolutions approving the New Master Agreement, the transactions contemplated thereunder and the related annual caps.

Further details of the renewal of such continuing connected transactions were disclosed in the Company's announcement dated 22 December 2017.

Opinion from the INEDs and auditor on the continuing connected transactions:

The Directors (including all INEDs) have reviewed the continuing connected transactions and confirmed that these transactions were entered into:

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

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions of the Group during the Year 2017 set out in note 51 to the consolidated financial statements and confirmed that these transactions: (i) were approved by the Board of the Company; (ii) where applicable, in all material respects, were in accordance with the pricing policies of the Company; (iii) had been entered into, in all material respects, and in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the caps stated in the relevant announcements.

The Company confirms that it has complied with all the disclosure requirements under Chapters 14 and 14A of the Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9 and note 10 to the consolidated financial statements attached to this annual report.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executives of the Company, as at 31 December 2017, 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 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) 538,357,500[2] (S)	8.07% 2.73%
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ("**China Huarong Asset**")	Interest of controlled corporation [2]	1,892,972,251 (L) 538,357,500[2] (S)	9.59% 2.73%

Notes:

1. The entire issued 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 31 December 2017.

Report of the Directors

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 南京豐盛資產管理有限公司 (Nanjing Fullshare Asset Management Limited*), a limited liability company incorporated in the PRC on 19 July 2002, which is currently wholly owned by the Company and reverse takeover involving a new listing application (the "**RTO Circular**"), pursuant to the non-competition undertaking dated 25 October 2013 entered into between the Controlling Shareholders (as defined in the RTO Circular) and the Company (the "**Non-Competition Undertaking**"), save for continuing their engagements in the Excluded Projects (as defined in the RTO Circular) and certain exceptions relating to their holding of and/or being interested in shares and other securities in any member of the Group and any other company listed on a recognized stock exchange engaging in the restricted business (please refer to the RTO Circular for details) set out in the Non-Competition Undertaking, the Controlling Shareholders will not be allowed to engage in any residential property (including villas) and mixed-use property (as defined in the section headed "Glossary of Technical Terms" of the RTO Circular) development business in the PRC, and they will only be involved in the commercial property development business. As at 31 December 2017, the Controlling Shareholders were engaged in the development of a property project located in Wenchang in the PRC through an Excluded Company (as defined in the RTO Circular). Save for the Non-Competition Undertaking, as at 31 December 2017, the Controlling Shareholders did not give any other non-competition undertaking to the Company.

The Company has received the written declarations on their compliance with the undertaking under the Non-Competition Undertaking from Mr. Ji and Magnolia Wealth in Year 2017. Based on the declarations received from Mr. Ji and Magnolia Wealth and after review, our INEDs considered that Mr. Ji and Magnolia Wealth had complied with the terms set out in the Non-Competition Undertaking in Year 2017.

Save as disclosed above, as at 31 December 2017, 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.

BUSINESS REVIEW

Overview

The overview is set out in the section headed "Management Discussion and Analysis" of this annual report.

Financial key performance indicators

During the Year 2017, the Group has achieved an increase in revenue (being one of the financial key performance indicators) of approximately RMB6,715,034,000 or 156% to approximately RMB11,026,457,000 (2016: approximately RMB4,311,423,000). The significant increase was principally due to the acquisition of new energy segment in late 2016, which has contributed approximately RMB8,241,914,000 or 75% to the Group's revenue in Year 2017. In addition, properties segment was also a key segment which has contributed approximately RMB2,007,216,000 or 18% to the total revenue of the Group in Year 2017. Although during Year 2017 the revenue generated from tourism and healthcare and education segments were relatively insignificant, as mentioned in the Chairman's statement of this annual report, the Company is of the view that the tourism and healthcare and education segments have the highest potential for development, and more resources will be allocated to support the development of these segments in the future.

The net profit of the Group in the Year 2017 decreased by RMB865,820,000 or 29% from approximately RMB3,002,284,000 in Year 2016 to approximately RMB2,136,464,000 in Year 2017, which was mainly due to the decrease of the fair value gain (after tax) in the Group's financial instruments of approximately RMB1,232,000,000 which was non-cash in nature. If excluded the impact of fair value gain in financial instruments, the Group recorded an increment in net profit of approximately RMB366,180,000.

The Group's financial position remained solid. The net assets of the Group increased by RMB890,029,000 or 3% from approximately RMB26,313,670,000 in Year 2016 to approximately RMB27,203,699,000 in Year 2017. The Group generated a positive operating cash inflow of approximately RMB1,981,799,000 in Year 2017 (2016: approximately RMB1,085,533,000). The increase in operating cash inflow mainly due to the positive operating cash inflow generated from newly acquired subsidiaries, which were acquired in Year 2016 and Year 2017.

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

Future Development

The future development is set out in the section headed "Prospect" under the section "Management Discussion and Analysis" of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group conducts risk assessment and management measures irregularly 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 and pay more attention to potential risks and prepare its risk management plans accordingly. The summary of the Group's principal risks is set out as follows:

Report of the Directors

(1) Macro-economic environment

The Group currently operates 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 response: The Chinese government adheres to its overall strategy of making steady progress and focusing on supply-side reform to put forth innovative and perfect 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 board 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.

(2) Policy and financial influence

As our businesses are mainly concentrated in China, our results performance is affected by the policies in China. In recent years, for the real estate industry, the Chinese government implemented home-purchase restrictions, adjusted the housing mortgage rate and tightened real estate credit policy, 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 home 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 have 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 real estate credit policy tightening situation.

(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.

(4) Investment concentration risk

The investment business of the Group mainly involved holding the shares in various companies in Hong Kong. As at 31 December 2017, of which the shares of one company were valued at approximately RMB6,762 million, representing nearly 25% 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 change in price of the company in which it holds the shares, and will adjust promptly the proportion of investment portfolio. At the same time, the Group will also actively consider the investment targets and 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 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, 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.

Report of the Directors

Key Relationships

(i) Employees

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

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

In addition, the Group provides competitive remuneration and comprehensive fringe benefits to its employees, giving monetary and spiritual reward, to those employees who have made outstanding contributions.

(ii) Suppliers

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

(iii) Customers

Our diversified products target at different customer bases. From design to emergence of ultimate products, we always consider the demand of our customers. Be it the emerging enterprises, parvenus who need social circles or consumers who focus on shopping experience, they can find strong resonance from our company products. Due to our marketing methods in focusing on the widespread and subdivided channels, we can access to the most accurate population more easily. Through on-site exhibition, we enable each customer to clearly learn about the different complex are brought, thereby achieving a win-win situation in sales.

Environmental Policies

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

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the year ended 31 December 2017 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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

DONATION

During the Year 2017, with the mission of "Building Together for Prosperity and Enjoyment", the Group has been dedicated to giving back to society and accumulated achievements over the years. The Group's efforts to support the community have been acknowledged over the years.

During the Year 2017, the Group sponsored the Old Man Charity Run held by Pok Oi Hospital with a total of sponsorship of HK$3.5 million. The campaign raised a total of HK$6 million to help families facing the family economic pressures.

In February 2017, the Group made a sponsorship of HK$50,000 towards the New Territories Walk hosted by The Community Chest.

During the Year 2017, the Group made a sponsorship of RMB30,000 to the Eide Foundation to support the development and environment of the Foundation in education, social welfare medical and health districts. Besides, the Group also made a sponsorship of RMB50,000 to fund the charitable activities carried out by its China Brand Innovation Poverty Alleviation Coalition to provide the comprehensive and quality services to take care of people in need. Furthermore, the Group made a sponsorship of AU$7,500 to Brainchild Foundation to sponsor its charity ball to support children and families with neurological disorders of the brain and spinal cord.

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

ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE REPORT

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme maintained by the Group are set out in note 2 and note 7 to the consolidated financial statements attached to this annual report.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was a sufficient public float throughout the year ended 31 December 2017 and as at the latest practicable date prior to the issue of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has provided Directors with directors' liability insurance coverage to protect them from loss as a result of any legal proceeding against the Company. The relevant permitted indemnity provision and the directors' liability insurance have been in force throughout the Year 2017 and as of the date of this annual report.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 55 to the consolidated financial statements attached to this annual report.

AUDITORS

After careful consideration and taking into account various factors (including the available internal resources corresponding to the current working process), SHINEWING (HK) CPA Limited resigned as auditors of the Group with effect from 31 May 2016. An ordinary resolution to appoint E&Y as auditors of the Company to fill the causal vacancy was approved by the Shareholders of the Company at the extraordinary general meeting of the Company held on 27 June 2016.

The consolidated financial statements for the year ended 31 December 2017 have been audited by E&Y, who shall retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of E&Y as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Ji Changqun
Chairman

Hong Kong
29 March 2018

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Fullshare Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 256, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combinations not under common control	
For the year ended 31 December 2017, the Group acquired several subsidiaries from third parties as disclosed in note 45 to the consolidated financial statements. When applying the acquisition accounting, the Group was required to perform a purchase price allocation for these newly acquired subsidiaries which involved the determination of the fair values of the identifiable assets and liabilities, including newly identified intangible assets. Such process was complex and involved significant judgements. Assisted by its external valuation specialists, the Group adopted various approaches for the determination of the fair values of different types of identifiable assets and liabilities of the investees. The process involved a number of assumptions such as the discount rate, the growth rate and estimated selling prices of properties. Up to the date of approval of these consolidated financial statements, management completed the purchase price allocation for the acquisition of Kunshan Herong Properties Development limited and Sparrow Early Learning Pty Ltd. The initial accounting for the remaining acquisitions occurred during the year ended 31 December 2017 was determined provisionally in the consolidated financial statements as the corresponding valuations had not been completed.	Our procedures to assess the respective purchase price allocation included: i) We reviewed the appraisal reports prepared by the external valuation specialists; ii) We evaluated the competency and objectivity of the external appraisers engaged by the Group; iii) We assessed the identification of assets and liabilities based on our understanding of the business of the investees and discussion with management; iv) We checked the estimated selling prices of properties used for the valuation against market prices for similar properties;

Key audit matter	How our audit addressed the key audit matter
Business combinations not under common control (continued)	
In addition, management completed the purchase price allocation for the acquisitions of China High Speed Transmission Equipment Group Co., Ltd. ("CHS") and its subsidiaries and Northern King Holdings Limited, Wise Stream Limited and their subsidiaries which were acquired in the year ended 31 December 2016. The initial accounting for these two acquisitions was determined provisionally in the consolidated financial statements as at and for the year ended 31 December 2016. Consequently, the consolidated financial statements as at and for the year ended 31 December 2016 were restated as if initial accounting had been completed on the acquisition dates with the finalised purchase price allocation, of the two acquisitions, respectively. The disclosures of this prior year restatement are set out in notes 2.4 to the consolidated financial statements. The significant accounting judgements and estimates and disclosures about the business combination not under common control are set out in notes 3 and 45 to the consolidated financial statements.	v) We checked the forecasts prepared by management by discussing the rationale of key assumptions with management and checking orders on hand on a sample basis; and vi) We involved our internal valuation specialist to review the methodology and certain assumptions (such as discount rates and growth rates) adopted for the determination of fair values of identifiable assets or liabilities of the investees.

Key audit matter	How our audit addressed the key audit matter
Evaluation of goodwill impairment	
As at 31 December 2017, the Group recognised goodwill of approximately RMB2,048 million in the consolidated financial statements, representing 3.76% of the total assets of the Group. Under Hong Kong Accounting Standards ("HKAS") 36 *Impairment of Assets*, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. The process of goodwill impairment assessment was complex and involved significant judgements and estimates which included assumptions such as expected future market and economic conditions. The recoverable amounts of healthcare service CGU, investment and consulting service CGU and early learning service CGU were determined based on the value-in-use calculations using cash flow projections. The recoverable amount of gear products CGU were determined based on fair value of disposal using the closing price of CHS quoted on the Stock Exchange of Hong Kong Limited ("HKEX") as at 31 December 2017. The significant accounting judgements and estimates and disclosures for goodwill impairment testing are set out in notes 3 and 17 to the consolidated financial statements.	We examined the Group's cash flow forecasts prepared by management for goodwill impairment and tested the basis of preparation taking into account the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. We reviewed management's estimation about future cash flows by comparing with orders on hand, framework agreements signed and external market research. We also involved our internal valuation specialist to review the methodology and certain assumptions (such as the discount rate and growth rate) adopted on the evaluation of goodwill impairment. For an impairment assessment, the Group determines the recoverable amount based on the fair value of disposal, we examined the Group's calculation of the fair value taking into account the closing quote price on HKEX as at 31 December 2017 and the number of shares the Group owned. We reviewed management's assessment of the sensitivity of the Group's impairment model to reasonably possible changes and considered the adequacy of disclosures for goodwill impairment testing in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment on trade and bills receivables	
As at 31 December 2017, the Group had trade and bills receivables of approximately RMB6,650 million after an allowance for impairment of approximately RMB100 million. The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and bills receivables. Allowances are applied to trade and bills receivables where events or changes in circumstances indicate that the balances may not be collectible. We identified the impairment of trade and bills receivables as a key audit matter because the carrying amount of trade and bills receivables are significant and the identification of bad and doubtful debts requires significant management judgements and estimates. The significant accounting judgements and estimates and disclosures for the recognition of impairment of trade and bills receivables are included in notes 3 and 25 to the consolidated financial statements.	We evaluated the design and implementation of management's controls over assessment of recoverability of trade and bills receivables and making provisions. We sent trade receivable and bills receivable confirmations and checked bank receipts for the payment received subsequent to the end of the current financial year on a sampling basis. We assessed the assumptions used to calculate the impairment provision for trade and bills receivables by checking the aging of receivables. We also tested aged balances where no provision was recognised for any indicators of impairment by reviewing payments received since the end of the current financial year, historical payment patterns and, if information available, the financial ability of customers.
Net realisable value of inventories	
As at 31 December 2017, the Group held inventories of approximately RMB2,420 million measured at the lower of the cost and net realisable value. We identified the determination of net realisable value of inventories as a key audit matter because the carrying amount of inventories is significant and the calculation of inventories' net realisable value requires significant management estimation based on future market demands and estimated selling prices. The significant accounting judgements and estimates and the balance of inventories are disclosed in notes 3 and 24 to the consolidated financial statements.	We evaluated the design and implementation of management's controls over assessment of the net realisable values of inventories. We obtained an understanding of the Group's inventory provision policy and checked the calculation of the inventory provision based on the Group's policy. We evaluated management's assumptions used to calculate the provision by checking the aging of inventories, subsequent sales and usage of inventories on a sampling basis. We also checked the subsequent selling prices to the sales orders and invoices on a sampling basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Lawrence K. W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
REVENUE	6	**11,026,457**	4,311,423
Cost of sales		**(8,066,730)**	(3,447,168)
Gross profit		**2,959,727**	864,255
Fair value change in financial instruments	5	**1,907,073**	3,361,459
Other income and gains	6	**694,774**	243,882
Other expenses	7	**(794,058)**	(7,490)
Selling and distribution expenses		**(544,894)**	(228,803)
Administrative expenses		**(1,416,261)**	(507,853)
Finance costs	8	**(731,051)**	(89,996)
Change in fair value of properties held for sale transferred to investment properties	15	**416,137**	–
Gain on disposal of subsidiaries, net	46	**364,534**	98,502
Gain on a bargain purchase recognised in acquisition of subsidiaries	45(b)&(f)	**38,038**	3,752
Share of profits and losses of:			
Joint ventures	19	**152,950**	(7)
Associates	20	**65,922**	5,501
PROFIT BEFORE TAX	7	**3,112,891**	3,743,202
Income tax expense	11	**(976,427)**	(740,918)
PROFIT FOR THE YEAR		**2,136,464**	3,002,284
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments changes in fair value		**(338,549)**	299,557
Income tax effect on change in fair value		**85,689**	(74,889)
		(252,860)	224,668
Exchange differences on translation of foreign operations		**(306,177)**	214,478
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(559,037)**	439,146
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,577,427**	3,441,430

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Profit/(loss) attributable to:			
Owners of the parent		**2,267,453**	3,086,019
Non-controlling interests		**(130,989)**	(83,735)
		2,136,464	3,002,284
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**1,778,375**	3,464,232
Non-controlling interests		**(200,948)**	(22,802)
		1,577,427	3,441,430
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**RMB11.49cents**	RMB19.03cents
Diluted		**RMB11.48cents**	RMB19.03cents

Consolidated Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,664,321**	6,557,946
Investment properties	15	**3,980,790**	2,765,354
Prepaid land lease payments	16	**1,161,142**	1,386,949
Goodwill	17	**2,047,674**	1,667,339
Other intangible assets	18	**677,707**	884,745
Investments in joint ventures	19	**1,967,578**	1,907,275
Investments in associates	20	**672,087**	1,802,355
Available-for-sale investments	21	**4,894,177**	1,070,090
Loan receivable	22	**399,000**	399,400
Trade receivables	25	**–**	11,057
Financial assets designated as at fair value through profit or loss	28	**689,712**	526,351
Prepayments, deposits and other receivables	26	**343,987**	746,656
Deferred tax assets	41	**294,954**	210,070
Total non-current assets		**22,793,129**	19,935,587
CURRENT ASSETS			
Deposits paid for potential acquisitions	23	**211,823**	33,897
Inventories	24	**2,419,827**	2,645,111
Prepaid land lease payments	16	**26,830**	30,211
Trade and bills receivables	25	**6,650,273**	7,270,482
Consideration receivables		**149,216**	139,847
Loan receivables	22	**2,926,751**	328,816
Prepayments, deposits and other receivables	26	**2,182,825**	2,720,784
Tax prepaid	26	**10,213**	41,097
Financial assets held for trading	27	**7,242,057**	5,537,114
Structured bank deposits	31	**110,000**	739,000
Properties under development	29	**929,653**	1,471,003
Properties held for sale	30	**438,885**	1,073,868
Pledged bank deposits	31	**2,894,031**	2,581,830
Restricted bank deposits	31	**216,461**	–
Cash and cash equivalents	31	**5,221,679**	3,864,068
Total current assets		**31,630,524**	28,477,128

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	32	**6,814,951**	6,870,880
Other payables and accruals	33	**2,203,367**	2,022,911
Receipts in advance and deposits received	34	**971,666**	1,421,363
Dividend payable		**–**	9,545
Convertible bonds	37	**–**	23,681
Bank and other borrowings	36	**8,688,795**	6,225,935
Taxation payable		**829,316**	660,867
Warranty provision	40	**120,664**	104,197
Obligations under finance leases	39	**–**	7,007
Derivative financial instruments	35	**95,489**	–
Deferred income		**6,771**	10,453
Total current liabilities		**19,731,019**	17,356,839
NET CURRENT ASSETS		**11,899,505**	11,120,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,692,634**	31,055,876
NON-CURRENT LIABILITIES			
Corporate bonds	38	**1,919,988**	8,387
Bank and other borrowings	36	**3,363,646**	2,749,983
Deferred tax liabilities	41	**2,119,643**	1,890,096
Deferred income		**85,658**	93,740
Total non-current liabilities		**7,488,935**	4,742,206
Net assets		**27,203,699**	26,313,670
EQUITY			
Equity attributable to owners of the parent			
Share capital	42	**161,084**	161,084
Equity reserve	43	**422,833**	422,833
Reserves	43	**23,407,519**	21,954,383
		23,991,436	22,538,300
Non-controlling interests		**3,212,263**	3,775,370
Total equity		**27,203,699**	26,313,670

Ji Changqun
Director

Shi Zhiqiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent												
	Notes	Share capital RMB'000 (note 42)	Equity reserve RMB'000 (note 43(a))	Share premium account* RMB'000	Statutory surplus reserve* RMB'000 (note 43(b))	Merger reserve* RMB'000 (note 43(c))	Other reserve* RMB'000 (note 43(d))	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 2016		124,942	422,833	3,315,983	111,750	422,062	(477,758)	–	(390,381)	26,742	1,525,827	5,082,000	236,236	5,318,236
Profit for the year		–	–	–	–	–	–	–	–	–	3,086,019	3,086,019	(83,735)	3,002,284
Other comprehensive income for the year:														
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	–	163,735	–	–	–	163,735	60,933	224,668
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	214,478	–	214,478	–	214,478
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	163,735	–	214,478	3,086,019	3,464,232	(22,802)	3,441,430
Acquisition of subsidiaries not under common control	45(e),(g)&(h)	30,094	–	12,275,000	–	–	–	–	–	–	–	12,305,094	3,505,006	15,810,100
Contribution from the then shareholder		–	–	–	–	155,254	–	–	–	–	–	155,254	–	155,254
Considerations paid for acquisition of subsidiaries under common control		–	–	–	–	(567,581)	–	–	–	–	–	(567,581)	–	(567,581)
Acquisition of an associate		1,017	–	341,609	–	–	–	–	–	–	–	342,626	–	342,626
Investments in subsidiaries		–	–	–	–	–	(53,352)	–	–	–	–	(53,352)	53,352	–
Disposal of subsidiaries	46(e),(f)&(h)	–	–	–	(3,075)	(16,500)	53,352	–	–	(3,713)	19,575	49,639	3,578	53,217
Final 2015 dividend declared		–	–	(156,381)	–	–	–	–	–	–	–	(156,381)	–	(156,381)
Placing of shares	42	4,640	–	1,718,977	–	–	–	–	–	–	–	1,723,617	–	1,723,617
Issue of shares upon conversion of convertible bonds	37	391	–	172,911	–	–	–	–	–	–	–	173,302	–	173,302
Shareholders contribution		–	–	–	–	–	19,850	–	–	–	–	19,850	–	19,850
Transfer from retained profits		–	–	–	136,838	–	–	–	–	–	(136,838)	–	–	–
At 31 December 2016, as restated		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
At 31 December 2016 as originally stated		161,084	422,833	17,668,099	245,513	(6,765)	(457,908)	162,954	(390,381)	237,507	4,513,760	22,556,696	3,621,857	26,178,553
Completion of purchase price allocation	2.4	–	–	–	–	–	–	781	–	–	(19,177)	(18,396)	153,513	135,117
At 1 January 2017, as restated		161,084	422,833	17,668,099	245,513	(6,765)	(457,908)	163,735	(390,381)	237,507	4,494,583	22,538,300	3,775,370	26,313,670
Profit for the year		–	–	–	–	–	–	–	–	–	2,267,453	2,267,453	(130,989)	2,136,464
Other comprehensive loss for the year:														
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	–	–	(184,239)	–	–	–	(184,239)	(68,621)	(252,860)
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	(304,839)	–	(304,839)	(1,338)	(306,177)
Total comprehensive (loss)/income for the year		–	–	–	–	–	–	(184,239)	–	(304,839)	2,267,453	1,778,375	(200,948)	1,577,427
Acquisition of subsidiaries not under common control	45(a)	–	–	–	–	–	–	–	–	–	–	–	842	842
Disposal of subsidiaries	46(a),(b),(c)&(d)	–	–	–	(32,374)	38,542	(7,322)	–	–	–	1,154	–	(258,838)	(258,838)
Final 2016 dividend declared		–	–	(295,936)	–	–	–	–	–	–	–	(295,936)	–	(295,936)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(97,069)	(97,069)
Transfer from retained profits		–	–	–	295,056	–	–	–	–	–	(295,056)	–	–	–
Acquisition of additional interests in subsidiaries		–	–	–	–	–	(32,298)	–	–	–	–	(32,298)	(10,020)	(42,318)
Capital injections by non-controlling shareholders of subsidiaries		–	–	–	–	–	2,995	–	–	–	–	2,995	2,926	5,921
At 31 December 2017		**161,084**	**422,833**	**17,372,163**	**508,195**	**31,777**	**(494,533)**	**(20,504)**	**(390,381)**	**(67,332)**	**6,468,134**	**23,991,436**	**3,212,263**	**27,203,699**

* These reserve accounts comprise the consolidated reserves of RMB23,407,519,000 (2016: RMB21,954,383,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**3,112,891**	3,743,202
Adjustments for:			
Finance costs	8	**731,051**	89,996
Share of profits and losses of joint ventures and associates		**(218,872)**	(5,494)
Gain on a bargain purchase recognised in acquisition of subsidiaries		**(38,038)**	(3,752)
Interest income	6	**(288,019)**	(96,123)
Gain on disposal of items of property, plant and equipment	6	**(833)**	(4,874)
Gain on disposal of subsidiaries		**(364,534)**	(98,502)
Loss on disposal/liquidation of an associate	7	**128,151**	5,392
Gain on disposal of available-for-sale investments	6	**(3,666)**	–
Investment income	6	**(120,902)**	(24,037)
Fair value gains, net:			
Fair value change in financial instruments	5	**(1,907,073)**	(3,361,459)
Fair value change in investment properties	6	**(92,932)**	–
Change in fair value of properties held for sale transferred to investment properties	7	**(416,137)**	–
Depreciation	14	**668,403**	159,172
Provision for trade and other receivables	25&26	**193,505**	2,098
Impairment of other intangible assets	7	**63,409**	–
Impairment of property, plant and equipment	7	**189,279**	–
Impairment of investments in associates	7	**94,000**	–
Impairment of goodwill	7	**14,883**	–
Provision for inventories	7	**138,054**	–
Amortisation of prepaid land lease payments	16	**28,753**	2,560
Amortisation of patents and technology	18	**20,545**	3,383
Amortisation of deferred development costs	18	**46,466**	2,397
Amortisation of customer relationship	18	**54,000**	4,500
Amortisation of brand name	18	**1,767**	–
Release of deferred income		**(7,538)**	(311)
Exchange loss/(gain)		**80,779**	(44,187)
Gain from land resumption	6	**(86,754)**	–
Operating cash inflows before movement in working capital		**2,020,638**	373,961
Increase in properties under development	29	**(750,922)**	(1,205,514)
Decrease in properties held for sale		**953,688**	2,009,357
(Increase)/decrease in inventories		**(414,304)**	442,912
Increase in construction contracts		**–**	(83,458)
Increase in financial assets held for trading		**(13,569)**	(395,363)
Increase in restricted bank deposits		**(216,461)**	–
Decrease in trade and bills and other receivables, prepayments and deposits		**564,504**	538,976
Increase/(decrease) in trade and other payables, receipts in advance and deposits received		**319,078**	(328,226)
Increase/(decrease) in deferred income		**9,133**	(312)
Increase in provision for product warranties		**20,472**	1,599
Cash generated from operations		**2,492,257**	1,353,932
Interest received		**3,944**	5,466
Income taxes paid		**(514,402)**	(273,865)
Net cash flows from operating activities		**1,981,799**	1,085,533

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Placement)/withdrawal of pledged bank deposits		**(375,116)**	166,936
Interest received		**199,461**	90,657
Investments in structured bank deposits		**(460,000)**	(739,000)
Withdrawal of structured bank deposits		**1,089,000**	10,000
Purchases of available-for-sale investments		**(4,881,737)**	(600,000)
Proceeds from disposal of available-for-sale investments		**773,292**	737,878
Purchases of items of property, plant and equipment		**(606,861)**	(522,717)
Proceeds from disposal of items of property, plant and equipment		**63,263**	56,735
Purchase of investment properties		**–**	(302,754)
Proceeds from disposal of investment properties	15	**21,896**	–
Receipt of government grants for property, plant and equipment		**16,852**	5,739
Additions to other intangible assets	18	**(208)**	(27,540)
Acquisition of subsidiaries	45	**(454,736)**	2,710,272
Acquisition of assets and liabilities through acquisition of subsidiaries	45(d)	**(149,031)**	–
Payments for business combinations under common control		**–**	(567,581)
Disposal of subsidiaries	46	**1,109,787**	264,704
Receipt of consideration receivables	46(g)-(i)	**98,293**	1,349,936
Investments in joint ventures		**(902,555)**	(1,800,001)
Investments in associates		**(202,000)**	(1,255,188)
Additions of prepaid land lease payments		**(4,297)**	(2,382)
Proceeds from disposal of associates		**396,212**	4,480
Proceed from disposal of a joint venture		**40,000**	–
Capital withdrawal from associates		**753,829**	–
Capital withdrawal from a joint venture		**877,500**	–
Other investment income received		**46,216**	–
Proceeds from land resumption		**600,000**	–
Acquisition of financial assets designated as at fair value through profit or loss		**(221,730)**	(500,000)
Repayment of acquisition consideration payable		**–**	(21,058)
Refund of a paid deposit for potential acquisition		**29,605**	360,000
Payment of deposits for potential acquisitions		**(211,823)**	(33,897)
Loan receivables granted		**(6,386,649)**	(1,646,800)
Repayment of loan receivables and other receivables		**3,704,857**	1,797,000
Net cash flows used in investing activities		**(5,036,680)**	(464,581)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling shareholders		5,921	–
Proceeds from issue of corporate bonds	38	1,911,388	–
Proceeds from issue of shares	42	–	1,723,617
Proceeds from issue of convertible bonds	37	–	161,581
Repayment of convertible bonds	37	(21,035)	–
New bank and other borrowings		12,760,925	2,269,541
Repayment of bank and other borrowings		(9,107,217)	(1,848,286)
Dividends paid		(387,105)	(156,381)
Acquisition of additional interests in subsidiaries		(42,318)	–
Repayment of finance lease payables		(7,007)	(7,181)
Interest paid		(624,570)	(123,762)
Net cash flows from financing activities		4,488,982	2,019,129
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,434,101	2,640,081
Cash and cash equivalents at beginning of year		3,864,068	1,240,551
Effect of foreign exchange rate changes, net		(76,490)	(16,564)
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,221,679	3,864,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,221,679	3,864,068
Cash and cash equivalents as stated in the consolidated statement of financial position		5,221,679	3,864,068
Cash and cash equivalents as stated in the consolidated statement of cash flows		5,221,679	3,864,068

Notes to the Consolidated Financial Statements

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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 (2007 Revised) 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 year, 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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China High Speed Transmission Equipment Group Co., Ltd. ("**CHS**")	Cayman Islands/ Mainland China	US$16,352,916	–	74	Manufacture and sale of gear products
Rich Unicorn Holdings Limited#	BVI	US$94,018,997	100	–	Investment holding
Nanjing Fullshare Property Dazu Technology Company Limited#@	People's Republic of China ("**PRC**")/ Mainland China	RMB300,000,000	–	100	Real estate development and investment
Jiangsu Anjiali Zhiye Company Limited#@	PRC/Mainland China	RMB350,000,000	–	100	Property development
Five Seasons VI Pty Limited#	Australia	AU$100	100	–	Tourism
Sparrow Early Learning Pty Limited	Australia	AU$51,871,919	–	97	Education service

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ Domestic enterprise established in the PRC.

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity or equity linked investments which have been measured at fair value. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without any loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in these financial statements. Disclosures have been made in note 57(b) to the consolidated financial statements upon the adoption of amendments to HKAS 7, for the current year which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The new and revised standards that are issued, but not yet effective are described below. The Group intends to adopt these new and revised standards, if applicable, when they become effective.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

Currently, the Group's financial assets are classified into three categories namely financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets at fair value through profit or loss and loans and receivables except for certain trade and bills receivables. Certain Group's trade and bills receivable are managed with a business model under which they are either held to collect contractual cash flows or sold prior to their expiry date. Accordingly, these trade and bills receivable will be reclassified as financial assets at fair value through other comprehensive income ("**FVTOCI**"). Gains and losses recorded in other comprehensive income for the trade and bills receivables will be recycled to profit or loss when the trade and bills receivables are derecognised.

For the available-for-sale financial investments carried at fair value, they are qualified for designation as measured at FVTOCI under HKFRS 9. Accordingly, the Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification and measurement. However, the fair value gains or losses accumulated in the investment revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss.

For the available-for sale financial investment carried at cost less impairment, they are qualified for designation as measured at FVTOCI under HKFRS 9. The Group expects to apply the option to measure these available-for-sale financial investments at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Since the Group has a number of available-for-sale financial investments of which it required time to gather information to assess and finalised their fair values as at 1 January 2018, the assessment has yet been completed. Based on the preliminary assessment, the Group does not expect the fair values of these investments are significantly different from their carrying amounts as at 1 January 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(a) Classification and measurement *(continued)*

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). It is assessed that the fair value change of the Group's derivatives is mainly exposed to equity price risk with minimal credit risk impact. Accordingly, the Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial liabilities.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has expected that the provision for impairment and related deferred tax assets will increase upon the initial adoption of the standard.

HKFRS 15, issued in July 2014, establishes a new 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. During 2017, the Group has performed a preliminary assessment on the impact of the adoption of HKFRS 15 and expected that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. Moreover, the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 49 to the consolidated financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB270,044,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 PRIOR YEAR RESTATEMENT

2.4.1 Restatement of prior year's financial statements as a result of finalised purchase price allocation of prior year acquisitions

During the year ended 31 December 2016, the Group acquired an equity of approximately 73.91% interests in CHS and 70% equity interests in Northern King Holdings Limited, Wise Stream Limited and their subsidiaries (collectively referred to as "Baoqiao Group") of which the valuations have not been completed and the respective fair values of the identifiable net assets and goodwill were determined provisionally. During the year ended 31 December 2017, the Group made certain fair value adjustments, with reference to the finalised independent valuation, to the carrying amounts of the identifiable assets and liabilities of CHS and Baoqiao Group as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable net assets were made as if initial accounting had been completed on the acquisition date. In addition, the depreciation and amortisation of the respective assets subsequent to the acquisition dates were adjusted accordingly.

The above restatements relate to acquisitions which have effected during the year ended 31 December 2016 and hence have no financial impact on the consolidated financial position as at 1 January 2016. Accordingly no restated consolidated statement of financial position as at 1 January 2016 is presented.

2.4 PRIOR YEAR RESTATEMENT *(continued)*

2.4.2 Quantitative impact on the consolidated financial statements

i. Restated consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2016

For the year ended 31 December 2016

	As originally stated RMB'000	Adjustments RMB'000	As restated RMB'000
Revenue	4,311,423	–	4,311,423
Cost of sales	(3,439,428)	(7,740)	(3,447,168)
Gross profit/(loss)	871,995	(7,740)	864,255
Fair value change in financial instruments	3,361,459	–	3,361,459
Other income and gains	243,882	–	243,882
Other expenses	(7,490)	–	(7,490)
Selling and distribution expenses	(228,803)	–	(228,803)
Administrative expenses	(509,354)	1,501	(507,853)
Finance costs	(89,996)	–	(89,996)
Gain on a bargain purchase recognised in acquisition of subsidiaries	3,752	–	3,752
Gain on disposal of subsidiaries	98,502	–	98,502
Share of profits and losses of:			
Joint ventures	(7)	–	(7)
Associates	5,501	–	5,501
Profit/(loss) before tax	3,749,441	(6,239)	3,743,202
Income tax expense	(716,436)	(24,482)	(740,918)
Profit/(loss) for the year	3,033,005	(30,721)	3,002,284

2.4 PRIOR YEAR RESTATEMENT *(continued)*

2.4.2 Quantitative impact on the consolidated financial statements *(continued)*

i. ***Restated consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2016*** *(continued)*

For the year ended 31 December 2016 *(continued)*

	As originally stated	Adjustments	As restated
	RMB'000	RMB'000	RMB'000
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments changes in fair value	292,793	6,764	299,557
Income tax effect on change in fair value	(73,198)	(1,691)	(74,889)
	219,595	5,073	224,668
Exchange differences on translation of foreign operations	214,478	–	214,478
Other comprehensive income for the year, net of tax	434,073	5,073	439,146
Total comprehensive income/(loss)	3,467,078	(25,648)	3,441,430
Profit/(loss) attributable to:			
Owners of the parent	3,105,196	(19,177)	3,086,019
Non-controlling interests	(72,191)	(11,544)	(83,735)
	3,033,005	(30,721)	3,002,284
Total comprehensive income/(loss) attributable to:			
Owners of the parent	3,482,628	(18,396)	3,464,232
Non-controlling interests	(15,550)	(7,252)	(22,802)
	3,467,078	(25,648)	3,441,430

2.4 PRIOR YEAR RESTATEMENT *(continued)*

2.4.2 Quantitative impact on the consolidated financial statements *(continued)*

ii. Restated consolidated statement of financial position as at 31 December 2016

	As originally stated	Adjustments	As restated
	RMB'000	RMB'000	RMB'000
Total non-current assets	19,817,545	118,042	19,935,587
Total current assets	28,477,128	–	28,477,128
Total current liabilities	17,356,839	–	17,356,839
Total non-current liabilities	4,759,281	(17,075)	4,742,206
Equity attributable to owners of the parent	22,556,696	(18,396)	22,538,300
Non-controlling interests	3,621,857	153,513	3,775,370
Total equity	26,178,553	135,117	26,313,670

Details of the financial line items as restated in the consolidated statement of financial position as at 31 December 2016 include the following:

	As originally stated	Adjustments	As restated
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	6,565,282	(7,336)	6,557,946
Prepaid land lease payments	1,386,939	10	1,386,949
Goodwill	1,573,910	93,429	1,667,339
Other intangible assets	852,806	31,939	884,745
Non-current liabilities			
Deferred tax liabilities	1,907,171	(17,075)	1,890,096

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures or associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures or associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of joint ventures or associates is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the joint ventures or associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures or associates is included as part of the Group's investments in joint ventures or associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture or an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Notes to the Consolidated Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Merger accounting for business combination involving businesses under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combinations occur as if the combinations had occurred from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Fair value measurement

The Group measures its investment properties, certain derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is a joint venture or an associate of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2% to 7%
Hotel properties	4%
Plant and machinery	6% to 20%
Furniture and fixtures	9.7% to 33%
Motor vehicles and others	9% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

Patents and technology

Purchased patents and technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to15 years.

Customer relationship

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised on the straight-line basis over the commercial lives of underlying products not exceeding 5 years, commencing from the date when the products are put into commercial production.

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Initial recognition and measurement *(continued)*

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, dividend payable, bank and other borrowings, derivative financial instruments, corporate bonds and convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Inventories

Inventories other than properties under development and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from sales of properties in the ordinary course of business is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed, the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under receipts in advance and deposits received;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(d) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(e) rental income, on a time proportion basis over the lease terms;

(f) from hotel operation, including room rentals and service fees from the provision of other ancillary services, is recognised when the services are rendered;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension scheme *(continued)*

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. With reference to the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that two (2016: one) of the Group's investment properties, a shopping mall acquired in previous year and a shopping mall newly constructed, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in that investment property over time rather than through sale. Therefore, in measuring the Group's deferred tax liabilities on such investment properties, the directors of the Company have determined that the presumption that the carrying amounts of such investment properties are recovered entirely through sale is rebutted. As at 31 December 2017, the carrying amount of such properties was RMB3,358,400,000 (2016: RMB2,132,000,000). For the remaining investment properties on which the presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to the PRC's land appreciation tax ("**LAT**"), which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2017, the carrying amount of these properties was RMB622,390,000 (2016: RMB633,354,000).

Acquisition of assets and liabilities through acquisition of Nanjing Gaote Gearbox Manufacturing Co., Ltd. and its subsidiary

During the year ended 31 December 2017, the Group acquired 100% equity interest in Nanjing Gaote Gearbox Manufacturing Co., Ltd.* (南京高特齒輪製造箱製造有限公司 "Nanjing Gaote") and its wholly owned subsidiary, Nanjing Jiuyi Heavy Gearbox Manufacturing Co., Ltd*（南京九一重型齒輪箱製造有限公司）("Nanjing Jiuyi") (collectively referred to as "Nanjing Gaote Group") from two independent third parties (note 45(d)). Prior to the acquisition, Nanjing Gaote Group has suspended production. At the date of acquisition, Nanjing Gaote Group mainly held prepaid land lease payments and property, plant and equipment which can be used for the production of gear products. The Group's intention to acquire Nanjing Gaote Group is to acquire its machinery for gear products and its prepaid land lease payments for future use. No incomplete order or employee has been transferred in this acquisition. Therefore, the acquisition of Nanjing Gaote Group has been accounted for as acquisition of assets and liabilities through acquisition of subsidiaries. Further details of the acquisition are given in note 45(d) to the consolidated financial statements.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB2,047,674,000 (2016: RMB1,667,339,000) with an impairment loss of RMB14,883,000 (2016: nil) recognised during the year. Further details are given in note 17 to the consolidated financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2017 was RMB3,980,790,000 (2016: RMB2,765,354,000). Further details, including the key assumptions used for fair value measurement are given in note 15 to the consolidated financial statements.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates based on the ageing and historical payment patterns. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss over the period in which such estimate has been changed. At 31 December 2017, the provision for impairment of trade and other receivables was approximately RMB185,792,000 (2016: RMB30,648,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2017, the net carrying value of inventories was approximately RMB2,419,827,000 (2016: RMB2,645,111,000) with an allowance of RMB138,054,000 made during the year (2016:nil).

Application of purchase price allocation

When performing purchase price allocation for subsidiaries acquired in a business combination, the Group makes several estimates in determination of the fair value of identifiable assets and liabilities, including:

(a) discounted cash flow projections based on reliable estimates of future cash flows from early learning services, rendering of services and property sales, sales of gear products and investment and consulting services, supported by existing early learning service agreements, external evidence such as current market prices for similar services and similar properties in the same location and condition, market prices for similar gear products and market prices for similar investment and consulting services, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(b) estimated deferred tax for Corporate Income Tax arising from the fair value adjustments.

Further details of the business combinations are given in note 45 to the 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 service;

(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; and 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 receivable and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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.

During the year ended 31 December 2017, management has revisited the reportable segments and the Group's internal reporting. After taking into account the future strategic plan, size of operations and the correlation of the businesses newly acquired with the operation already in place, it is determined that the investment and financial related consulting services business acquired in December 2016 is grouped into investment segment and education business acquired in 2017 is combined with healthcare segment. This change to the reportable segment has no impact on presentation of the segment information for the year ended 31 December 2016.

Year ended 31 December 2017

	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare and education RMB'000	New energy RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	2,007,216	167,453	49,049	560,825	8,241,914	11,026,457
Fair value change in financial instruments	–	–	1,907,073	–	–	1,907,073
Segment results	1,404,242	48,334	2,202,884	(256,377)	250,723	3,649,806
Reconciliation:						
Unallocated Interest income						120,779
Gain on disposal of subsidiaries, net						364,534
Gain on a bargain purchase recognised in acquisition of subsidiaries						38,038
Loss on disposal/liquidation of associates						(128,151)
Unallocated income and losses						(94,436)
Corporate and other unallocated expenses						(106,628)
Finance costs						(731,051)
Profit before tax						3,112,891
Segment assets	6,669,619	1,783,039	16,504,495	857,982	19,687,767	45,502,902
Reconciliation:						
Corporate and other unallocated assets						8,920,751
Total assets						54,423,653
Segment liabilities	1,470,987	33,991	312,224	41,535	8,372,569	10,231,306
Reconciliation:						
Corporate and other unallocated liabilities						16,988,648
Total liabilities						27,219,954

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare and education RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information:							
Share of profits and losses of:							
Joint ventures	(1,530)	80,319	–	–	74,161	–	152,950
Associates	62,961	–	–	(2,176)	5,137	–	65,922
Impairment losses recognised in the statement of profit or loss	–	–	–	143,938	411,138	–	555,076
Depreciation and amortisation	3,022	15,496	1,950	33,638	718,292	18,783	791,181
Investments in joint ventures	888,280	979,340	–	–	99,958	–	1,967,578
Investments in associates	181,420	20,000	–	312,653	158,014	–	672,087
Capital expenditure*	2,105	11,373	14	56,673	1,428,907	496	1,499,568

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare and education RMB'000	New energy RMB'000	Total RMB'000
			(Restated)		(Restated)	(Restated)
Segment revenue:						
Sales to external customers	2,894,843	134,321	3,716	362,464	916,079	4,311,423
Fair value change in financial instruments	–	–	3,361,459	–	–	3,361,459
Segment results	616,756	(43,029)	3,390,209	(154,355)	(131,927)	3,677,654
Reconciliation:						
Unallocated Interest income						70,302
Gain on disposal of subsidiaries, net						98,502
Gain on a bargain purchase recognised in acquisition of subsidiaries						3,752
Unallocated income and gains						77,814
Corporate and other unallocated expenses						(94,826)
Finance costs						(89,996)
Profit before tax						3,743,202
Segment assets	6,659,135	1,558,496	7,866,745	1,016,351	23,592,029	40,692,756
Reconciliation:						
Corporate and other unallocated assets						7,719,959
Total assets						48,412,715
Segment liabilities	2,108,289	28,378	–	271,406	8,094,924	10,502,997
Reconciliation:						
Corporate and other unallocated liabilities						11,596,048
Total liabilities						22,099,045

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Properties RMB'000	Tourism RMB'000	Investment and financial services RMB'000	Healthcare and education RMB'000	New energy RMB'000	Unallocated RMB'000	Total RMB'000
			(Restated)		(Restated)		(Restated)
Other segment information:							
Share of profits and losses of:							
Joint ventures	–	(979)	–	–	972	–	(7)
Associates	8,791	–	–	(3,573)	283	–	5,501
Impairment losses recognised in the statement of profit or loss	–	–	–	2,358	–	–	2,358
Impairment losses reversed in the statement of profit or loss	(260)	–	–	–	–	–	(260)
Depreciation and amortisation	6,414	47,922	1,767	7,870	104,067	1,412	169,452
Investments in joint ventures	–	899,022	–	–	1,008,253	–	1,907,275
Investments in associates	1,223,770	–	–	436,398	142,187	–	1,802,355
Capital expenditure*	2,457,470	456,754	–	123,444	8,277,843	14,510	11,330,021

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000
Mainland China	7,976,092	3,795,094
Hong Kong	49,049	–
Australia	369,175	134,321
Singapore	227	4,761
Europe	364,977	3,716
United States of America	1,932,173	357,091
Other countries	334,764	16,440
	11,026,457	4,311,423

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

(b) Non-current assets

	2017 RMB'000	2016 RMB'000 (Restated)
Mainland China	12,853,881	13,464,377
Hong Kong	131,888	129,165
Australia	1,090,805	623,412
Singapore	13	–
United States of America	155,342	168,250
Europe	3,185	2,992
Other countries	39,507	31,250
	14,274,621	14,419,446

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customer

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

	2017 RMB'000	2016 RMB'000
Customer A[1]	2,603,785	N/A

[1] Revenue from sale of gear products in the new energy segment.

5. FAIR VALUE CHANGE IN FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Fair value change in listed equity investments	2,075,665	3,345,853
Fair value change in derivative financial instruments (note 35)	(125,829)	–
Fair value change in financial assets designated as at fair value through profit or loss (note 28)	(45,506)	26,351
Fair value change in derivative components of convertible bonds (note 37)	2,743	(10,745)
	1,907,073	3,361,459

6. REVENUE AND OTHER INCOME AND GAINS

Revenue mainly represents the net invoiced value of properties and goods sold, after allowances for returns and trade discounts; gross rental income received and receivable; an appropriate proportion of contract revenue of construction contracts, income from hotel operations and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue		
Sale of properties	1,704,330	2,638,593
Sale of goods	8,594,290	1,258,950
Rendering of services	375,722	134,529
Gross rental income	173,361	58,954
Hotel operations	167,453	134,321
Revenue from construction contracts	–	82,360
Others	11,301	3,716
	11,026,457	4,311,423
Other income		
Bank interest income	120,779	38,546
Other interest income	167,240	57,577
Government grants	39,275	31,300
Investment income	120,902	24,037
Management fee income	60,945	21,782
Others	1,448	9,429
	510,589	182,671
Gains		
Gain on disposal of items of property, plant and equipment	833	4,874
Foreign exchange gain, net	–	56,337
Change in fair value of investment properties	92,932	–
Gain on disposal of available-for-sale investments	3,666	–
Gain from land resumption	86,754	–
	184,185	61,211
	694,774	243,882

7. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Cost of inventories sold		**6,503,478**	1,109,116
Cost of properties sold		**952,925**	2,009,357
Cost of hotel operations		**179,237**	154,575
Cost of services provided		**266,939**	96,529
Direct operating expenses arising from rental-earning investment properties		**24,609**	2,573
Cost of construction contracts		**1,488**	75,018
Depreciation	14	**668,403**	159,172
Amortisation of patents and technology	18	**20,545**	3,383
Amortisation of customer relationship	18	**54,000**	4,500
Amortisation of brand name	18	**1,767**	–
Research and development costs:			
Deferred expenditure amortised	18	**46,466**	2,397
Current year expenditure		**327,135**	55,661
		373,601	58,058
Minimum lease payments under operating leases		**15,024**	9,667
Amortisation of prepaid land lease payments	16	**28,753**	2,560
Auditor's remuneration		**7,970**	2,449
Other consulting fee		**18,128**	7,262
Employee benefit expense (including directors' and chief executives' remuneration) (note 9)			
Wages and salaries		**1,011,958**	173,211
Pension scheme contributions		**233,578**	21,333
Other benefits		**254,150**	35,766
		1,499,686	230,310
Write-down of inventories to net realisable value (included in cost of sales)		**138,054**	–
Warranty provision	40	**84,938**	11,485
Fair value change in financial instruments	5	**(1,907,073)**	(3,361,459)
Government grants*		**(39,275)**	(31,300)
Change in fair value of properties held for sale transferred to investment properties	15	**(416,137)**	–
Change in fair value of investment properties	15	**(92,932)**	–
Gain on disposal of subsidiaries, net	46	**(364,534)**	(98,502)
Foreign exchange differences, net		**110,831**	(56,337)
Items included in other expenses:			
Impairment loss of other intangible assets	18	**63,409**	–
Impairment loss of property, plant and equipment	14	**189,279**	–
Impairment loss of goodwill	17	**14,883**	–
Impairment loss of investment in an associate	20	**94,000**	–
Impairment loss on trade receivables, net	25	**107,841**	2,098
Impairment loss on prepayments, deposits and other receivables	26	**85,664**	–
Loss on disposal/liquidation of associates		**128,151**	5,392

7. **PROFIT BEFORE TAX** *(continued)*

* Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2016:nil).

8. **FINANCE COSTS**

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	660,837	120,898
Interest on convertible bonds (note 37)	1,414	2,412
Interest on corporate bonds (note 38)	77,341	807
Interest on finance leases	163	96
Less: Interest capitalised (note 29)	(8,704)	(34,217)
	731,051	89,996

9. **DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION**

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	1,872	1,588
Other emoluments:		
Salaries, allowances and benefits in kind	7,664	8,228
Pension scheme contributions	174	288
	7,838	8,516
	9,710	10,104

9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Mr. Lau Chi Keung	312	206
Mr. Chow Siu Lui	312	206
Mr. Tsang Sai Chung	312	206
	936	618

(b) Executive directors, non-executive directors and the chief executives

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017				
Executive directors:				
Mr. Shi Zhiqiang	312	2,444	104	2,860
Mr. Wang Bo	312	3,209	16	3,537
Chief executives:				
Mr. Ji Changqun ("Mr. Ji")[(4)]	312	–	–	312
Mr. Deng Xiaoxiong[(5)]	–	2,011	54	2,065
	936	7,664	174	8,774

9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and the chief executives *(continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016				
Executive directors:				
Mr. Shi Zhiqiang	206	2,243	101	2,550
Mr. Wang Bo	206	2,936	16	3,158
Mr. Fang Jian[1]	96	–	–	96
Non-executive directors:				
Mr. Eddie Hurip[2]	206	–	–	206
Mr. Chen Minrui[3]	50	1,204	79	1,333
Chief executives:				
Mr. Ji[4]	206	–	–	206
Mr. Deng Xiaoxiong[5]	–	1,845	92	1,937
	970	8,228	288	9,486

No directors or chief executives waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2017 and 2016.No emoluments were paid by the Group to any directors or chief executives as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

(1) Mr. Fang Jian resigned on 22 June 2016.
(2) Mr. Eddie Hurip resigned on 31 December 2016.
(3) Mr. Chen Minrui resigned on 30 March 2016.
(4) Mr. Ji is also an executive director of the Company.
(5) Mr. Deng Xiaoxiong was appointed as the co-chief executive on 17 May 2016 and resigned on 14 August 2017.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2016: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2016: three) highest paid employees are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**12,483**	7,655
Incentive paid on joining	**–**	2,561
Pension scheme contributions	**175**	43
	12,658	10,259

10. FIVE HIGHEST PAID EMPLOYEES *(continued)*

During the year ended 31 December 2017, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group. During the years 2016 and 2017, no emoluments have been paid by the Group to the five highest individuals as compensation for loss of the office.

The number of these employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**3**	1
HK$4,500,001 to HK$5,000,000	**–**	1
	4	3

11. INCOME TAX EXPENSE

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

	2017	2016
	RMB'000	RMB'000
		(Restated)
Current tax – charge for the year		
– PRC	**495,762**	293,045
– Hong Kong	**47,625**	2,192
– LAT	**155,524**	111,965
Overprovision in respect of prior years	**(8,488)**	–
Deferred tax (note 41)	**286,004**	333,716
Total tax charge for the year	**976,427**	740,918

11. INCOME TAX EXPENSE *(continued)*

PRC corporate income tax ("CIT")

PRC CIT has been provided at the rate of 25% (2016: 25%) on the taxable profits of the Group's PRC subsidiaries, except those listed below, for the year ended 31 December 2017.

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. ("**Nanjing High Speed**")	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**")	31 December 2015	31 December 2017
CHSTE (Beijing) Shougao Metallurgical Engineering & Equipment Co., Ltd.	31 December 2015	31 December 2017
Nanjing High Accurate Rail Transportation Equipment Co., Ltd.	31 December 2017	31 December 2019

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 sale 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% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

11. INCOME TAX EXPENSE *(continued)*

Singapore CIT

No provision for taxation in Singapore has been made, as the Group did not generate any assessable profits arising in Singapore for the years ended 31 December 2017 and 2016.

Australia company tax

Australia company tax has been provided at the rate of 30% (2016: N/A) on the taxable profits of the Group's Australian subsidiaries for the year ended 31 December 2017.

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

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before tax	**3,112,891**	3,743,202
Tax at the statutory tax rate of 25%	**778,223**	935,801
Effect of different tax rates of subsidiaries operating in other jurisdictions and lower tax rate for specific provinces or enacted by local authorities	**(252,411)**	(265,962)
Overprovision in respect of prior years	**(8,488)**	–
Profits and losses attributable to joint ventures and associates	**(54,718)**	(1,374)
Income not subject to tax	**(51,277)**	(54,000)
Expenses not deductible for tax	**105,386**	25,061
Tax losses utilised from previous periods	**(3,609)**	(277)
Tax losses not recognised	**165,591**	59,112
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**76,053**	14,797
Temporary differences not recognised	**95,320**	–
Provision for LAT	**155,524**	111,965
Tax effect for LAT	**(38,316)**	(10,373)
Deferred tax on LAT in respect of properties held for sale	**–**	(70,473)
Deferred tax on LAT in respect of investment properties	**(2,262)**	–
Additional deductible allowance for research and development expenses	**(9,987)**	(3,359)
Others	**21,398**	–
Tax charge at the Group's effective rate	**976,427**	740,918

The share of tax attributable to joint ventures and associates amounting to charge of RMB3,916,000 (2016: RMB2,000) and credit of RMB58,634,000 (2016: RMB1,376,000), respectively, is included in "share of profits and losses of joint ventures and associates" in profit or loss.

12. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Proposed final – RMB1.5 cents (2016: RMB1.5 cents) per ordinary share	**295,936**	295,936

The proposed final divideneds for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 19,729,061,731 (2016: 16,218,109,448) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

The calculations of basic and diluted earnings per share are based on:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Earnings		
Earnings for the purpose of the basic earnings per share calculation	**2,267,453**	3,086,019
Interest on convertible bonds (note 37)	**1,414**	2,412
Fair value change on the derivative component of the convertible bonds (note 37)	**(2,743)**	10,745
Profit attributable to ordinary equity holders of the parent before interest and fair value change on convertible bonds	**2,266,124**	3,099,176

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**19,729,061,731**	16,218,109,448
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**5,303,096**	1,453,411
	19,734,364,827	16,219,562,859

* Since the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2016, the diluted earnings per share amount was based on the profit for the year 31 December 2016 attributable to the owners of the parent, of RMB3,086,019,000, and the weighted average number of ordinary shares of 16,218,109,448 in issue during that year.

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Freehold land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017							
At 31 December 2016 and at 1 January 2017, as restated							
Cost	338,391	3,163,845	5,477,888	329,396	360,452	918,430	10,588,402
Accumulated depreciation and impairment	(23,292)	(496,228)	(3,041,582)	(212,465)	(256,889)	–	(4,030,456)
Net carrying amount	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946
At 1 January 2017, net of accumulated depreciation and impairment, as restated	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946
Additions	–	10,432	48,358	40,655	34,228	453,039	586,712
Acquisition of subsidiaries (note 45)	–	238,663	521,593	4,194	6,111	25,000	795,561
Depreciation provided during the year	(14,627)	(101,344)	(497,917)	(30,754)	(23,761)	–	(668,403)
Disposals of subsidiaries (note 46)	–	(458,691)	(458,854)	(21,490)	(16,900)	(202,006)	(1,157,941)
Disposals	–	–	(50,076)	(7,865)	(4,489)	–	(62,430)
Land resumption	–	(133,526)	(54,141)	(3,416)	(3,062)	(3,420)	(197,565)
Reclassification	–	142,806	102,866	7,938	37,283	(290,893)	–
Exchange realignment	–	–	(99)	(49)	(132)	–	(280)
Impairment provided during the year	–	(102)	(128,624)	(3,636)	(26,509)	(30,408)	(189,279)
At 31 December 2017, net of accumulated depreciation and impairment	300,472	2,365,855	1,919,412	102,508	106,332	869,742	5,664,321
At 31 December 2017:							
Cost	338,391	2,846,149	5,222,175	303,976	348,589	900,150	9,959,430
Accumulated depreciation and impairment	(37,919)	(480,294)	(3,302,763)	(201,468)	(242,257)	(30,408)	(4,295,109)
Net carrying amount	300,472	2,365,855	1,919,412	102,508	106,332	869,742	5,664,321

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Hotel properties RMB'000	Freehold land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	156,688	54,520	160,362	40,237	13,044	45,846	470,697
Accumulated depreciation and impairment	(12,577)	(12,042)	(55,140)	(20,817)	(8,066)	–	(108,642)
Net carrying amount	144,111	42,478	105,222	19,420	4,978	45,846	362,055
At 1 January 2016, net of accumulated depreciation and impairment	144,111	42,478	105,222	19,420	4,978	45,846	362,055
Additions	176,942	255,353	54,664	11,168	4,070	179,237	681,434
Acquisition of subsidiaries (note 45)	–	2,413,203	2,455,549	95,902	101,333	835,539	5,901,526
Depreciation provided during the year	(19,554)	(10,888)	(114,100)	(8,425)	(6,205)	–	(159,172)
Disposals of subsidiaries (note 46)	–	(39,620)	(86,332)	(1,672)	(587)	(66,403)	(194,614)
Disposals	–	–	(49,409)	(781)	(83)	–	(50,273)
Reclassification	–	7,091	67,475	1,223	–	(75,789)	–
Exchange realignment	13,600	–	3,237	96	57	–	16,990
At 31 December 2016, net of accumulated depreciation and impairment, as restated	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946
At 31 December 2016, as restated:							
Cost	338,391	3,163,845	5,477,888	329,396	360,452	918,430	10,588,402
Accumulated depreciation and impairment	(23,292)	(496,228)	(3,041,582)	(212,465)	(256,889)	–	(4,030,456)
Net carrying amount	315,099	2,667,617	2,436,306	116,931	103,563	918,430	6,557,946

At 31 December 2017 the Group had no fixed assets under finance leases included in the total amounts of plant and machinery (2016: RMB50,263,000).

The Group was in the process of obtaining property certificates for buildings with carrying amount of RMB1,186,433,000 (2016: RMB1,509,798,000) at the end of the reporting period.

During the year ended 31 December 2017, since the competition of the industries were keen and the economic environment was not favourable to these products and services, the four cash-generating units ("**CGUs**") of high-end healthcare service, machine tools, chips and diesel engine manufacturing and sales suffered from operating losses. Accordingly, impairment indicators were identified for the relevant CGUs' non-current assets, including property, plant and equipment and other intangible assets. The Group performed impairment test for the relevant CGUs, for which impairment indicators were identified.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying value of the high-end healthcare service CGU was compared to the recoverable amount based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The growth rate used to extrapolate the cash flows of healthcare service CGU beyond the five-year period is 3% (2016: N/A). Other key assumptions applied in the impairment tests include the demand for the corresponding services, cost and related expenses. Management determined that these key assumptions were based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of 18.7% (2016: N/A) that reflects specific risks related to the high-end healthcare service CGU as the discount rate.

The carrying amounts of the CGUs of machine tools, chips and diesel engine manufacturing and sales were compared to the recoverable amounts of the CGUs based predominantly on fair value less costs of disposal, as the value-in-use for these CGUs were based on the continuous loss situation that could not derive a positive amount. Fair values of the items of property, plant and equipment for the relevant CGUs were based on the valuation performed by Cushman & Wakefield, an independent professionally qualified valuer on the basis of market values of the underlying property, plant and equipment.

Based on the assessment, the recoverable amounts of the items of property, plant and equipment for these four CGUs (high-end healthcare service, machine tools, chips and diesel engine manufacturing and sales) were RMB20,240,000, RMB2,418,000, RMB17,716,000 and RMB236,427,000, respectively, which led to the recognition of an impairment loss in aggregate in profit or loss of RMB189,279,000 (2016: nil) because the recoverable amounts were lower than the carrying amounts of the relevant CGUs.

15. INVESTMENT PROPERTIES

	2017 **RMB'000**	2016 RMB'000
Carrying amount at 1 January	**2,765,354**	330,600
Additions	**–**	302,754
Acquisition of subsidiaries (note 45(f))	**–**	2,132,000
Change in fair value of properties held for sale upon transferring to investment properties	**416,137**	–
Increase in fair value recognised in profit or loss	**92,932**	–
Transfers from properties held for sale	**733,863**	–
Disposal of subsidiaries (note 46(b))	**(5,600)**	–
Disposal	**(21,896)**	–
Carrying amount at 31 December	**3,980,790**	2,765,354

The Group's investment properties consist of, two shopping malls, four commercial properties and offices (2016: one shopping mall, five commercial properties and offices) in Mainland China. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Avista Valuation Advisory Limited ("**Avista**") (2016: Avista, Savills Valuation and Professional Service Limited and Crowe Horwath(HK) Consulting&Valuation Limited), independent professionally qualified valuers on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties, at RMB3,980,790,000 (2016: RMB2,765,354,000).

15. INVESTMENT PROPERTIES *(continued)*

During the year ended 31 December 2017, certain properties held for sale, representing a shopping mall, with a carrying amount of approximately RMB733,863,000 were transferred to investment properties as these properties are held for rental income or appreciation purpose. The fair value of these properties of approximately RMB1,150,000,000 at the date of transfer to investment properties was valued by Avista, by reference to comparable sales transactions as available in relevant markets and where appropriate, on the basis of capitalisation of rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. Accordingly, a fair value gain of approximately RMB416,137,000 arising from such transfer was recognised in the profit or loss during the year.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 49 to the consolidated financial statements.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2017 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Shopping malls	–	–	3,358,400	3,358,400
Commercial properties	–	–	314,800	314,800
Offices	–	–	307,590	307,590
	–	–	3,980,790	3,980,790

	Fair value measurement as at 31 December 2016 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Shopping mall	–	–	2,132,000	2,132,000
Commercial properties	–	–	308,354	308,354
Offices	–	–	325,000	325,000
	–	–	2,765,354	2,765,354

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: nil).

15. INVESTMENT PROPERTIES *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2017	2016
Yuhua Salon（雨花客廳）A1 (certain units)	Term and reversion method	Estimated rental value (per sq.m. and per month)	RMB97	RMB63 to RMB149.1
		Long term vacancy rate	0%	2% to 5%
		Discount rate	4.8% to 6%	4.75% to 5.25%
Wonder City（虹悦城）	Discounted cash flow method	Estimated rental value (per sq.m. and per month)	RMB176 to RMB299	RMB176 to RMB299
		Rent growth (p.a.)	3% to 9%	3% to 9%
		Long term vacancy rate	0%	0%
		Discount rate	7%	7%
Nantong Youshan Meidi Garden Project/ Huitong Building/ Zhejiang Youshan Meidi Garden Project（南通優山美地花園項目／匯通大廈項目／鎮江優山美地花園項目）	Term and reversion method	Estimated rental value (per sq.m. and per month)	RMB17 to RMB91	RMB8.1 to RMB58.8
		Long term vacancy rate	10%	0%
		Discount rate	3.5%-5%	4.5% to 6%
Epark shopping mall（雨花客廳）	Term and reversion method	Estimated rental value (per sq.m. and per month)	RMB12 to RMB735	N/A
		Long term vacancy rate	0%	N/A
		Discount rate	3%-4%	N/A
Tongjing Yuecheng Kindergarten（同景躍城幼稚園）	Term and reversion method	Estimated rental value (per sq.m. and per month)	N/A	RMB27
		Long term vacancy rate	N/A	0%
		Discount rate	N/A	7%

A significant increase (decrease) in the estimated rental value per month and rent growth rate in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and discount rate in isolation would result in a significant (decrease) increase in the fair value of the investment properties.

16. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000 (Restated)
At 1 January	**1,417,160**	1,699
Addition during the year	**4,297**	2,382
Acquisition of subsidiaries (note 45(d), (g))	**112,790**	1,417,280
Land resumption	**(103,562)**	–
Disposal of subsidiaries (note 46(d), (f))	**(213,960)**	(1,641)
Released during the year	**(28,753)**	(2,560)
Carrying amount at 31 December	**1,187,972**	1,417,160
For reporting purposes:		
Current portion	**26,830**	30,211
Non-current portion	**1,161,142**	1,386,949
	1,187,972	1,417,160

The above prepaid land lease payments are land use rights located in Mainland China. At 31 December 2017, the Group was in the process of obtaining land use right certificates in respect of land use rights located in Mainland China with a carrying amount of RMB450,622,000 (2016:RMB597,142,000)

17. GOODWILL

	RMB'000
Cost at 1 January 2016, net of accumulated impairment	1,474
Acquisitions of subsidiaries (note 45)	1,667,339
Attributable to disposal of subsidiaries (note 46(f))	(1,474)
Cost and net carrying amount at 31 December 2016 (restated)	1,667,339
Cost at 1 January 2017, net of accumulated impairment (restated)	1,667,339
Acquisitions of subsidiaries (note 45)	462,154
Attributable to disposal of subsidiaries (note 46(d))	(63,840)
Impairment during the year	(14,883)
Exchange difference	(3,096)
Cost at December 2017, net of accumulated impairment	2,047,674
At 31 December 2017:	
Cost	2,062,557
Accumulated impairment	(14,883)
Net carrying amount	2,047,674

17. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Healthcare service CGU;
- Gear products CGU;
- Investment and consulting service CGU; and
- Early learning service CGU

Healthcare service CGU

The recoverable amount of healthcare service CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 18.7% (2016: 18.8%). The growth rate used to extrapolate the cash flows of healthcare service CGU beyond the five-year period is 3% (2016: 3%).

Gear products CGU (represents group of CGUs of industrial manufacturing)

As at 31 December 2016, the recoverable amount of the gear products CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11%. The growth rate used to extrapolate the cash flows of the gear products CGU beyond the five-year period is 3%, which was the same as the long term average growth rate of the gear products industry.

As at 31 December 2017, the recoverable amount of the gear products CGU has been determined based on fair value less costs of disposal, based on using the closing price of CHS quoted on The Stock Exchange of Hong Kong Limited ("**HKEX**") as at 31 December 2017, which is within Level 1 of the fair value hierarchy.

Investment and consulting service CGU

As at 31 December 2017, the recoverable amount of investment and consulting service CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are ranging from 17.3% to 21.4% (2016: N/A). The growth rate used to extrapolate the cash flows of investment and consulting service CGU beyond the five-year period is 3% (2016: N/A), which was the same as the long term average growth rate of the investment and consulting service industry.

17. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Early learning service CGU

As at 31 December 2017, the recoverable amount of early learning service CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.6% (2016:N/A). The growth rate used to extrapolate the cash flows of early learning service CGU beyond the five-year period is 2% (2016: N/A), which was the same as the long term average growth rate of the early learning service industry.

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

	Early learning service	Healthcare service	Gear products	Investment and consulting service	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	459,058	–	1,469,065	119,551	2,047,674

As at 31 December 2016, the carrying amount of goodwill allocated to each of the CGUs is as follows:

	Healthcare service	Gear products	Unallocated*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)
Carrying amount of goodwill	14,883	1,532,905	119,551	1,667,339

* Goodwill as at 31 December 2016 included an amount of RMB119,551,000 which was not allocated to any CGU at the end of the reporting period as the valuation of the purchase price allocation has not been completed by the date of approval of the consolidated financial statements as of and for the year ended 31 December 2016. During the year ended 31 December 2017, the purchase price allocation was completed and management allocated the respective goodwill to investment and consulting service CGU of the Group.

Assumptions were used in the value-in-use calculation of the early learning service CGU, healthcare service CGU and investment and consulting service CGU as at 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

17. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rate estimates

Rates are based on common industry practice.

During the year ended 31 December 2017, the Group recognised an impairment loss of RMB14,883,000 (2016:nil) in relation to goodwill of healthcare service, arising from the acquisition of Five Seasons IX Limited and its subsidiaries, the principal activity of which is provision of high-end healthcare services. Since the competition of this industry was keen, the operating performance and the growth rate were below the expectation, which resulted in a continuous operating loss. In addition, the expected synergy effect with Group's other business did not happen. Accordingly, management provided impairment in the year ended 31 December 2017.

18. OTHER INTANGIBLE ASSETS

	Patents & technology RMB'000	Deferred developments costs RMB'000	Customer relationship RMB'000	Brand name RMB'000	Total RMB'000
31 December 2017					
At 1 January 2017, as restated					
Cost	221,141	780,593	540,000	12,106	1,553,840
Accumulated amortisation	(18,464)	(646,131)	(4,500)	–	(669,095)
Net carrying amount	202,677	134,462	535,500	12,106	884,745
Cost at 1 January 2017, net of accumulated amortisation, as restated	202,677	134,462	535,500	12,106	884,745
Additions – internal development	–	208	–	–	208
Disposals of subsidiaries (note 46(d))	(410)	(20,649)	–	–	(21,059)
Amortisation provided during the year	(20,545)	(46,466)	(54,000)	(1,767)	(122,778)
Impairment provided during the year	(25,115)	(38,294)	–	–	(63,409)
At 31 December 2017	156,607	29,261	481,500	10,339	677,707
At 31 December 2017:					
Cost	215,030	730,331	540,000	12,106	1,497,467
Accumulated depreciation and impairment	(58,423)	(701,070)	(58,500)	(1,767)	(819,760)
Net carrying amount	156,607	29,261	481,500	10,339	677,707
31 December 2016					
At 1 January 2016:					
Cost	1,700	2,526	–	–	4,226
Accumulated amortisation	(57)	–	–	–	(57)
Net carrying amount	1,643	2,526	–	–	4,169
Cost at 1 January 2016, net of accumulated amortisation	1,643	2,526	–	–	4,169
Additions – internal development	–	27,539	–	–	27,539
Acquisition of subsidiaries (note 45(e), (g)&(h))	205,946	107,054	540,000	12,106	865,106
Disposals of subsidiaries (note 46(f)&(i))	(1,529)	(260)	–	–	(1,789)
Amortisation provided during the year	(3,383)	(2,397)	(4,500)	–	(10,280)
At 31 December 2016, as restated	202,677	134,462	535,500	12,106	884,745
At 31 December 2016, as restated:					
Cost	221,141	780,593	540,000	12,106	1,553,840
Accumulated amortisation	(18,464)	(646,131)	(4,500)	–	(669,095)
Net carrying amount	202,677	134,462	535,500	12,106	884,745

18. OTHER INTANGIBLE ASSETS *(continued)*

With details set out in note 14, impairment indicators were identified for CGUs of high-end healthcare service, machine tools, chips and diesel engine manufacturing and sales. Accordingly, the Group performed the impairment test for these CGUs.

Based on the assessment, the recoverable amount of other intangible assets of high-end healthcare service was RMB8,456,000 and the recoverable amount of other intangible assets of the other three CGUs were nil. Accordingly, the Group recognised an impairment loss in aggregate in profit or loss of RMB63,409,000 (2016: nil) during the year ended 31 December 2017.

19. INVESTMENTS IN JOINT VENTURES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**1,967,578**	1,907,275

The Group's receivable and payable balances with the joint ventures are disclosed in notes 25, 26, 32 and 33 to the consolidated financial statements, respectively.

Particulars of the Group's material joint ventures are as follows:

19. INVESTMENTS IN JOINT VENTURES *(continued)*

2017

Name	Issued shares '000	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Five Seasons Cultural Tourism Development Company Limited ("**Five Seasons Cultural**")	Registered capital RMB2,000,000	PRC/ Mainland China	45	45	45	Cultural and tourism services
Fullshare Value Fund I L.P. ("**FVF I L.P**")	Registered capital USD270,997	Hong Kong	50.39	50.39	50.39	Investment
Nanjing High Accurate Construction Equipment Co., Ltd ("**Nanjing High Accurate**")	Registered capital RMB20,000	PRC/ Mainland China	50	50	50	Metallurgical engineering and manufacturing

2016

Name	Issued shares RMB'000	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Five Seasons Cultural	Registered capital RMB2,000,000	PRC/ Mainland China	45	45	45	Cultural and tourism services
Nanjing High Accurate	Registered capital RMB20,000	PRC/ Mainland China	50	50	50	Metallurgical engineering and manufacturing
Nanjing Dongbang Equipment Co., Ltd	Registered capital RMB2,000,000	PRC/ Mainland China	45	45	45	Engineering processing and manufacture of machine

The Group's shareholdings in the joint ventures are all indirectly held by the subsidiaries of the Company.

19. INVESTMENTS IN JOINT VENTURES *(continued)*

In December 2016, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.*（南京高精傳動設備制造集團有限公司）("Nanjing Drive") set up a joint venture named as Nanjing Dongbang Equipment Co., Ltd.*（南京動邦裝備有限公司）("Nanjing Dongbang") with two independent partners. Nanjing Drive invested RMB900,000,000 in Nanjing Dongbang. During the year ended 31 December 2017, the Group withdrew the capital contribution in Nanjing Dongbang of RMB877,500,000 with other two independent partners on a pro rata basis. On 22 December 2017, the Group disposed of its interest in Nanjing Dongbang at carrying value to Ningbo Yuanquan Investment Management LLP*（寧波淵泉投資管理合夥企業（有限合夥））for a consideration of RMB79,419,000. The first instalment of the consideration of RMB40,000,000 has been settled in December 2017. Pursuant to the agreement, the deferred consideration of RMB39,419,000 would be settled in 3 months once the change of industrial and commercial registration has been completed.

During the year ended 31 December 2017, The Group subscribed 50.39% interest in FVF I L.P by US$136,566,000 (equivalent to RMB902,555,000).

Five Seasons Cultural, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Five Seasons Cultural adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	12,886	19,646
Other current assets	2,945,094	1,978,816
Current assets	2,957,980	1,998,462
Non-current assets, excluding goodwill	14,498	14
Goodwill on acquisition of the joint venture	–	–
Financial liabilities, excluding trade and other payables	–	(608)
Other current liabilities	(796,166)	(43)
Current liabilities	(796,166)	(651)
Net assets	2,176,312	1,997,825
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	45%	45%
Carrying amount of the investment	979,340	899,021
Interest income	259,697	1
Profit/(loss) and total comprehensive income/(loss) for the year	178,487	(2,175)

* *For identification purpose only*

19. INVESTMENTS IN JOINT VENTURES *(continued)*

FVF I L.P, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of FVF I L.P. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017 RMB'000
Cash and cash equivalents	229,482
Other current assets	3,186,312
Current assets	3,415,794
Non-current assets, excluding goodwill	350,708
Goodwill on acquisition of the joint venture	–
Other current liabilities	(55,969)
Non-current liabilities	(1,941,501)
Non-controlling interest	(6,222)
Net assets	1,762,810
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50.39%
Carrying amount of the investment	888,280
Loss for the year attributes to the parent	(3,034)
Other comprehensive loss for the year attributes to the parent	(20,905)
Loss and total comprehensive loss for the year attributes to the parent	(23,939)

19. INVESTMENTS IN JOINT VENTURES *(continued)*

Nanjing High Accurate, which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing High Accurate adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	**77,177**	20,076
Other current assets	**347,408**	341,332
Current assets	**424,585**	361,408
Non-current assets, excluding goodwill	**1,069**	1,676
Goodwill on acquisition of the joint venture	**–**	–
Financial liabilities, excluding trade and other payables	**–**	–
Other current liabilities	**(297,359)**	(219,300)
Current liabilities	**(297,359)**	(219,300)
Net assets	**128,295**	143,784
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**64,148**	71,892
Revenue	**300,485**	191,857
Interest income	**134**	22
Depreciation and amortisation	**(608)**	(603)
Finance costs	**(2,120)**	(961)
Income tax expense	**(6,096)**	(4,083)
Profit and total comprehensive income for the year	**34,511**	22,051*
Dividend from Nanjing High Accurate	**25,000**	–

* From the date of acquisition, the net profit of Nanjing High Accurate was RMB1,944,000 for the one month ended 31 December 2016.

19. INVESTMENTS IN JOINT VENTURES *(continued)*

Nanjing Dongbang, which was considered a material joint venture of the Group, was accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing Dongbang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 RMB'000
Current assets	2,000,000
Net assets	2,000,000
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	45%
Carrying amount of the investment	900,000
Profit and total comprehensive income for the year	–

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

	2017 **RMB'000**	2016 RMB'000
Share of the joint ventures' profit and total comprehensive income for the year	**56,904**	–
Aggregate carrying amount of the Group's investments in the other joint ventures	**35,810**	36,362

20. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	553,524	1,115,700
Goodwill on acquisition	201,455	445,229
	754,979	1,560,929
Loan to an associate	–	241,426
Asset arising from financial guarantees granted to an associate	11,108	–
Provision for impairment	(94,000)	–
	672,087	1,802,355

The loan to an associate was unsecured, bore interest at 9% per annum and had no fixed terms of repayment. During the year ended 31 December 2017, the amount was fully recovered.

Further details of the financial guarantees granted to an associate are given in note 47(c) to the consolidated financial statement.

The Group's receivable and payable balances with the associates are disclosed in notes 25, 26, 32 and 33 to the consolidated financial statements, respectively.

During the year, in view of the decline in operating results of Hin Sang Group (International) Holding Co., Ltd. ("Hin Sang", 06893. HK) in 2017 and a prolonged decrease in the fair value of Hin Sang, which was lower than the cost incurred by the Group, impairment indicators were identified for the Group's investment in Hin Sang. The carrying amount of this investment was compared to the recoverable amount of this investment, which was based on its fair value less costs of disposal. The calculation of fair value less costs of disposal of the investment is based on the closing price of Hin Sang quoted on the HKEX as at 31 December 2017, which is within Level 1 of the fair value hierarchy. The recoverable amount of the investment in Hin Sang was RMB289,849,000, which led to the recognition of an impairment loss in profit or loss of RMB94,000,000 (2016: nil).

20. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the material associates are as follows:

2017

Name	Issued shares	Place of incorporation/ registration and business	Percentage of ownership or interest attributable to the Group	Principal activities
Hin Sang (HK. 06893)	Ordinary shares HK$109,350,800	Cayman Islands/ Hong Kong	23	Development and sale of healthcare products
Nanjing Jiansheng Real Estate Development Company Limited* （南京建盛房地產開發有限公司） (“**Jiansheng**”)	Registered capital RMB50,000,000	PRC/ Mainland China	35	Property development
Nantong FLW Agriculture Equipment Co., Ltd*. （南通富來威農業裝備有限公司） (“**Nantong FLW**”)	Registered capital RMB159,645,000	PRC/ Mainland China	50	Manufacture and sale of agriculture equipment

2016

Name	Issued shares	Place of incorporation/ registration and business	Percentage of ownership or interest attributable to the Group	Principal activities
Nanjing Kanghe Enterprise Management Limited (“**Nanjing Kanghe**”)	Registered capital RMB1,000,000,000	PRC/ Mainland China	49	Enterprise management
Hin Sang	Ordinary shares HK$108,579,600	Cayman Islands/ Hongkong	23	Development and sale of healthcare products
Jiansheng	Registered capital RMB50,000,000	PRC/ Mainland China	35	Property development
Applied Development Holdings Limited (“**Applied**”)	Ordinary shares HK$20,875,907	Bermuda/ Hong Kong	27	Resort and property development
Nantong FLW	Registered capital RMB159,645,000	PRC/ Mainland China	50	Manufacture and sale of agriculture equipment

Hin Sang is a company listed on HKEX (HK.06893). The fair value of the listed investment as at 31 December 2017 amounted to RMB289,849,000 (2016: RMB400,450,000).

20. INVESTMENTS IN ASSOCIATES *(continued)*

During the year ended 31 December 2017, the Group disposed of all the 559,865,959 shares of Applied for a consideration of HK$442,294,000 (equivalent to RMB372,647,000) to an independent third party. A loss on disposal of HK$149,117,000 (equivalent to RMB128,209,000) is recognised.

During the year ended 31 December 2017, the Group withdraw all its capital contribution in Nanjing Kanghe of RMB490,000,000.

The Group's shareholdings in the associates are all indirectly held by the subsidiaries of the Company.

The following table illustrates the summarised financial information for each of the material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Hin Sang

	2017 RMB'000	2016 RMB'000
Current assets	219,305	302,739
Non-current assets, excluding goodwill	564,805	615,483
Current liabilities	(26,694)	(45,200)
Non-controlling interest	(46,916)	–
Net assets	710,500	873,022
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	22.86%	23.03%
Group's share of net assets of the associate, excluding goodwill	162,420	201,057
Impairment loss for an investment in the associate	(94,000)	–
Goodwill on acquisition	195,250	210,651
Exchange realignment	26,283	–
Carrying amount of the investment	289,953	411,708
Revenue	166,929	125,140
Profit/(loss) for the year attributes to the parent	8,286	(1,452)
Other comprehensive income for the year attributes to the parent	22,205	–
Profit/(loss) and total comprehensive income/(loss) for the year attributes to the parent	30,491	(1,452)*
Fair value of the Group's investment	289,849	400,450
Dividends from Hin Sang	4,218	6,640

* From the date of acquisition, the net loss of Hin Sang has been RMB7,000 for the six months ended 31 December 2016.

20. INVESTMENTS IN ASSOCIATES *(continued)*

Jiansheng

	2017 RMB'000	2016 RMB'000
Current assets	**1,324,845**	860,927
Non-current assets	**201**	169
Current liabilities	**(132,417)**	(813,536)
Total assets less current liabilities	**1,192,629**	47,560
Non-current liabilities	**(1,160,000)**	–
Net assets	**32,629**	47,560
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**35.00%**	35.00%
Group's share of net assets of the associate, excluding goodwill	**11,420**	16,646
Loan to the associate	**–**	241,426
Carrying amount of the investment	**11,420**	258,072
Revenue	**–**	–
Loss and total comprehensive loss for the year	**(14,931)**	(2,439)

20. INVESTMENTS IN ASSOCIATES *(continued)*

Nantong FLW

	2017 RMB'000	2016 RMB'000
Current assets	78,190	81,915
Non-current assets, excluding goodwill	65,955	71,654
Goodwill on acquisition of the associate	1,470	1,470
Current liabilities	(18,055)	(18,132)
Net assets	127,560	136,907
Net assets, excluding goodwill	126,090	135,437
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49.58%	49.58%
Group's share of net assets of the associate, excluding goodwill	62,515	67,149
Goodwill on acquisition	1,470	1,470
Carrying amount of the investment	63,985	68,619
Revenue	15,027	61,015
(Loss)/profit and total comprehensive (expense)/income for the year	(9,347)	1,075*

* From the date of acquisition, the net profit of Nantong FLW was RMB56,000 for the one month ended 31 December 2016.

20. INVESTMENTS IN ASSOCIATES *(continued)*

Applied

	2016 RMB'000
Current assets	468,680
Non-current assets, excluding goodwill	430,441
Current liabilities	(2,391)
Net assets	896,730
Net assets, excluding goodwill	896,730
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	26.82%
Group's share of net assets of the associate, excluding goodwill	240,503
Goodwill on acquisition	233,108
Carrying amount of the investment	473,611
Revenue	6,658
Profit and total comprehensive income for the year	38,100*
Fair value of the Group's investment	418,168

* From the date of acquisition, the net profit of Applied was RMB39,366,000 for the four months ended 31 December 2016.

20. INVESTMENTS IN ASSOCIATES *(continued)*

Nanjing Kanghe

	2016 RMB'000
Current assets	490,001
Non-current assets, excluding goodwill	–
Total assets less current liabilities	490,001
Non-current liabilities	–
Net assets, excluding goodwill	490,001
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49.00%
Group's share of net assets of the associate, excluding goodwill	490,001*
Carrying amount of the investment	490,001
Revenue	–
Profit for the year and total comprehensive income for the year	–

* As at 31 December 2016, the other shareholder of Nanjing Kanghe did not complete the capital injection in Nanjing Kanghe. Net assets of Nanjing Kanghe as at 31 December 2016 mainly represented the capital injected by the subsidiary of the Group.

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

	2017 **RMB'000**	2016 RMB'000
Share of the associates' profits/(loss) and total comprehensive profits/(loss) for the year	**73,888**	(4,229)
Aggregate carrying amount of the Group's investments in other associates	**306,729**	100,344

21. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**2017** **RMB'000**	2016 RMB'000
Listed equity investments, at fair value	(1)	**590,393**	781,508
Unlisted equity investments, at cost	(2)	**4,303,784**	288,582
		4,894,177	1,070,090

21. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB343,628,000 (2016: gross gain of RMB299,557,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets.

Notes:

(1) At 31 December 2017, the balance includes the Group's investments in 50,093,000 H shares of Guodian Technology & Environment Group Corporation Limited*（國電科技環保集團股份有限公司）amounting to RMB22,110,000 (2016: RMB24,197,000), net of accumulated impairment loss of RMB4,217,000 (2016: RMB4,217,000), the investment in 16,962,000 shares of Riyue Heavy Industry Co., Ltd.*（日月重工股份有限公司）(“**Riyue Heavy**”) amounting to RMB380,794,000 (2016: RMB706,461,000), 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 RMB33,756,000 (2016: RMB50,850,000) and the investment in 3,088,154 American Depository Shares (the “**ADSs**”) of Tuniu Corporation (“**Tuniu**”) (TOUR.O.NASDAQ) amounting to RMB153,733,000 (2016: nil).

Up to the date of approval of these consolidated financial statements, there were no addition or disposal of Riyue Heavy and Tuniu. The market value of the Group's equity investments in Riyue Heavy and Tuniu at the date of approval of the consolidated financial statements was approximately RMB330,929,000 and RMB119,531,000 respectively. In accordance with the respective accounting policy, the change in fair value will be recognised in other comprehensive income subsequent to the year end.

(2) The amount represents the investments in unlisted equity securities issued by private entities established in Mainland China and are held by the Group as non-current assets, which are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

On 17 April 2017, the Group's subsidiary entered into a limited partnership agreement with thirty-four other partners in respect of the establishment of an investment fund in the PRC named Zhejiang Zheshang Chanrong Equity Investment Fund L.P.*（浙江浙商產融股權投資基金合夥企業（有限合夥））(the “**Zheshang Fund**”). The Group's subsidiary is a limited partner and has invested RMB2,000,000,000 in the Zheshang Fund.

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）(“**Ningbo Zhongbang**”) and Ningbo Jingbang Asset Management Co., Ltd.*（寧波靖邦資產管理有限公司）(“**Ningbo Jingbang**”) 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.

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, which are measured at cost less impairment.

* *For identification purpose only*

22. LOAN RECEIVABLES

		2017 RMB'000	2016 RMB'000
Loan receivable – non-current	(a)	**399,000**	399,400
Loan receivables – current	(a)-(j)	**2,926,751**	328,816
		3,325,751	728,216

(a) The Company's subsidiary entered into an agreement on 24 June 2016, pursuant to which an entrusted loan of RMB400,000,000 was lent to an independent third party through a financial institution. The balance is unsecured, bears an interest at 8.5% per annum and is repayable before 28 June 2019.

(b) The Company's subsidiary had entered into an agreement on 18 October 2016, pursuant to which a loan of HK$225,000,000 (equivalent to approximately RMB202,916,000) was lent to an independent third party on 31 October 2016. On 11 April 2017 and 12 October 2017, extension agreements have been entered into between both parties to extend the loan for total one additional year. The balance is unsecured, bears an interest at 5.8% per annum and is repayable on 18 April 2018.

(c) The balance of RMB158,000,000 represented loans made to a former subsidiary of the Group, Shenzhen Anke High Technology Company Limited*（深圳安科高科技股份有限公司）(“**Shenzhen Anke**”), which was disposed of in the year ended 31 December 2017. Details of the disposal are set out in note 46(c) to the consolidated financial statements. The balance is unsecured, bearing interest from 4.90% to 5.44%, and is repayable in the year ended 31 December 2018.

(d) The Group's subsidiaries entered into several agreements during the year ended 31 December 2017, pursuant to which, loans of RMB400,000,000 in aggregate were lent to an independent individual. The loans were made on 3 August 2017, 16 November 2017 and 23 October 2017 respectively, among which RMB130,000,000 was due and repaid on 21 December 2017. The outstanding loans at 31 December 2017 are secured by the Tuniu shares beneficially owned by the individual and guaranteed by an independent third party, bear interests from 8% to 12% per annum and are repayable in June 2018.

(e) The Group's subsidiary entered into agreements in June and September 2017, pursuant to which loans of RMB843,929,000 in aggregate were lent to an independent third party. The loans were made on 8 June 2017, 9 June 2017 and 30 September 2017, respectively. The balance is secured, bears the interest at 14% per annum and is repayable in July 2018.

(f) The Group's subsidiary entered into an agreement on 28 July 2017, pursuant to which a loan of RMB200,000,000 was lent to an independent third party for a period from 28 July 2017 to 28 January 2018. On 8 January 2018, an extension agreement has been entered into between both parties to extend the loan for six months. During the year ended 31 December 2017, RMB20,000,000 was due and repaid. The outstanding balance as at 31 December 2017 was guaranteed by an independent third party, bore an interest at 10% per annum.

22. LOAN RECEIVABLES *(continued)*

(g) The Group's subsidiaries entered into two agreements with an independent third party on 15 November 2017 and 28 December 2017, respectively, pursuant to which loans of RMB1,000,000,000 in aggregate were lent to the independent third party. The balance is unsecured, bears an interest at 8% per annum and is repayable in May 2018. Up to the date of approval of these consolidated financial statements, RMB500,000,000 has been repaid.

(h) The Group's subsidiary entered into an agreement on 28 December 2017, pursuant to which a loan of RMB260,000,000 was lent to the independent third party. The balance was secured, bore an interest at 8% per annum and has been fully repaid on 26 February 2018.

(i) The Group's subsidiary entered into an agreement during the year ended 31 December 2017, pursuant to which a loan of US$28,700,000 (equivalent to approximately RMB197,652,000) was lent to an independent third party on 24 April 2017. During the year ended 31 December 2017, RMB170,652,000 was due and repaid. The outstanding balance of RMB26,750,000 as at 31 December 2017 is unsecured, bears an interest at 6.5% and is repayable on 1 May 2018.

(j) The balance of RMB125,500,000 as at 31 December 2016 represented the loan made to a former subsidiary of the Company, Guangzhou Fullshare Healthcare Management Co., Ltd.*（廣州豐盛健康管理有限公司）("**Guangzhou Fullshare Healthcare**") which was disposed of during the year ended 31 December 2016. The balance was unsecured, interest-free and was fully repaid in March 2017.

23. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS

	2017	2016
	RMB'000	RMB'000
Deposits paid for potential acquisitions	**211,823**	33,897

On 24 August 2017, the Group entered into the subscription and share sale agreement with Magic Worldwise Limited, an independent third party, pursuant to which the Group agreed to acquire from Magic Worldwise Limited the entire interest in Verne Capital Limited, which holds 4,104,137 Class A ordinary shares, 6,949,997 Class B ordinary shares and 1,620,481 ADSs of Tuniu, representing in aggregate 4.2% of total issued shares of Tuniu. As at 31 December 2017, the Group has made a deposit of US$27,000,000 (equivalent to approximately RMB175,976,000) according to terms in the subscription and share sale agreement. The acquisition has not been completed as at the end of the reporting period.

On 24 August 2017, the Group entered into the subscription and share sale agreement with Superego Holding Ltd, an independent third party, pursuant to which the Group agreed to acquire from Superego Holding Ltd. the entire interest in Pride Success Capital Limited, which holds 910,000 ADSs of Tuniu, representing 0.7% of the total issued share of Tuniu. As at 31 December 2017, the Group has made a deposit of US$5,500,000 (equivalent to approximately RMB35,847,000) according to terms in the subscription and share sale agreement. The acquisition has not been completed as at the end of the reporting period.

* *For identification purpose only*

23. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS *(continued)*

On 26 May 2016, the Group entered into a letter of intent with a wholly-owned subsidiary of Nanjing Jiangong Group Co., Ltd. ("**Nanjing Jiangong**"), an entity under the control of Mr. Ji Changbin, who is the elder brother of Mr. Ji, the Company's controlling shareholder, for the potential acquisition of the entire equity interest in or the entire assets of the Whisper Bay Whitsundays Pty Ltd., ATF Whisper Bay Whitsundays Unit Trust, Whisper Bay Views Pty Ltd and ATF Whisper Bay Views Unit Trust and Whisper On The Water Pty Ltd and made a refundable deposit of AUD5,934,380 (equivalent to approximately RMB29,876,000). The deposit bore interest at the prevailing deposit interest rate of banks in Mainland China and was refundable upon the expiry of a six-month exclusive negotiation period where no formal agreement has been entered into. On 25 November 2016, the Group entered into a supplemental letter of intent with Nanjing Jiangong to extend the exclusive negotiation period for another six months. On 24 August 2017, the Group and Nanjing Jiangong have mutually agreed to cancel and terminate the transaction and the deposit was fully received during the year ended 31 December 2017.

On 9 December 2016, the Group entered into the subscription and share sale agreement with SOX Childcare Centres Pty Ltd., an independent third party, pursuant to which the Group agreed to acquire from SOX Childcare Centres Pty Ltd. as well as subscribe the new shares of Sparrow Early Learning Pty Ltd. ("**Sparrow**") which represents in aggregate 90% of the issued share capital of Sparrow. As at 31 December 2016, the Group has made a deposit of AUD769,340 (equivalent to approximately RMB4,021,000) according to terms in the subscription and share sale agreement. The acquisition has been completed on 20 January 2017. Details of this acquisition has been disclosed in note 45(a).

24. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Raw materials	**546,526**	700,288
Work in progress	**1,012,961**	879,116
Finished goods	**860,340**	1,065,707
	2,419,827	2,645,111

25. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**3,897,080**	4,025,888
Bills receivables	**2,853,321**	3,286,299
Impairment	**(100,128)**	(30,648)
	6,650,273	7,281,539
For reporting purposes:		
Current portion	**6,650,273**	7,270,482
Non-current portion	**–**	11,057
	6,650,273	7,281,539

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.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and the bill's received date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	**3,618,030**	3,768,960
91 to 180 days	**1,534,268**	1,447,886
181 to 365 days	**993,620**	1,493,164
Over 365 days	**504,355**	571,529
	6,650,273	7,281,539

At 31 December 2017, retentions receivable included in trade receivables amounted to RMB223,473,000 (2016:RMB294,351,000), which are repayable within terms ranging from one to five years, included in, retentions receivable of RMB72,467,000 (2016:RMB33,946,000) were expected to be recovered after more than one year.

25. TRADE AND BILLS RECEIVABLES *(continued)*

Included in the Group's trade and bills receivable balances are debtors with an aggregate carrying amount of RMB1,371,667,000 (2016: RMB2,145,630,000) which was past due at the end of the reporting period against which an impairment of RMB100,128,000 (2016: RMB30,648,000) had been made under collective assessment based on the ageing analysis of the trade and bills receivables. Individual impairment was not made, as these receivables relate to customers having good track record with the Group. There has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlements.

The ageing of trade and bills receivables which are past due based on the overdue date and net of provisions of RMB100,128,000 (2016: RMB30,648,000) under collective assessment, is as follows:

	2017 **RMB'000**	2016 RMB'000
0 to180 days past due	**956,816**	1,680,520
181 days to 540 days past due	**218,358**	355,651
Over 540 days past due	**96,365**	78,811
	1,271,539	2,114,982

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

	2017 **RMB'000**	2016 RMB'000
At beginning of year	**30,648**	28,550
Disposals of subsidiaries	**(37,820)**	–
Impairment losses recognised (note 7)	**107,841**	2,358
Amount written off as uncollectible	**(541)**	–
Impairment losses reversed (note 7)	**–**	(260)
	100,128	30,648

25. TRADE AND BILLS RECEIVABLES *(continued)*

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**5,378,734**	5,166,557

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Transfers of financial assets

The following were the Group's bills receivable accepted by banks in the PRC (the "**Endorsed Bills**") that were endorsed to certain of the Group's suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

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

	2017 RMB'000	2016 RMB'000
Carrying amount of transferred assets	**176,747**	99,080
Carrying amount of associated liabilities	**(176,747)**	(99,080)
Net position	**–**	–

25. TRADE AND BILLS RECEIVABLES *(continued)*

Transfers of financial assets *(continued)*

In addition to the above, as at 31 December 2017 and 31 December 2016, the Group discounted certain bills receivable accepted by banks in PRC (the "**Derecognised Bills**") to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). The Group has derecognised these bills receivable and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rules and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2017, the Group's maximum exposure to loss and cash outflow from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the Derecognised Bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB3,179,972,000 and RMB3,738,980,000, respectively (2016: RMB2,344,000,000 and RMB2,134,665,000). In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2017 and 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Included in the Group's trade and bills receivables are amounts due from the Group's joint ventures and associates of RMB15,364,000 (2016: RMB21,090,000) and nil (2016: RMB3,413,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

26. TAX PREPAID, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) TAX PREPAID

	2017 RMB'000	2016 RMB'000
Tax prepaid	10,213	41,097

(b) PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Prepayments	595,516	1,338,471
Other receivables*	583,174	551,524
Deposits and other receivables	1,310,629	480,206
VAT recoverable	84,953	131,684
Other tax prepaid	510	61,383
Amounts due from joint ventures**	14,126	191,156
Amounts due from associates**	23,568	713,016
Impairment	(85,664)	–
	2,526,812	3,467,440
For reporting purposes:		
Current portion	2,182,825	2,720,784
Non-current portion	343,987	746,656
	2,526,812	3,467,440

* At 31 December 2017 and 2016, the amount represents an advance made to an insurance company in the PRC with maturity at year 2018, which was classified as non-current asset at 31 December 2016 and included in other receivables, and carried interest at an annualised fixed rate at 6.33% per annum. Interest and the principal amount are repayable at the maturity date. It is stated at amortised cost less impairment, if any, at the end of the reporting period.

** All the amounts due from the Group's joint ventures and associates are unsecured, interest-free and repayable within 180 days.

26. TAX PREPAID, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

(b) PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movement in provision for impairment of prepayments, deposits and other receivables is as follows:

	2017 RMB'000
At beginning of year	–
Impairment losses recognised (note 7)	(85,664)
	(85,664)

Included in the above provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired receivables of RMB85,664,000 (2016: nil) with a carrying amount before provision RMB151,829,000 (2016: N/A).

The individually impaired prepayments, deposits and other receivables relate to debtors that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

Except for those prepayments, deposits and other receivables that are already impaired, the financial assets included in the above balance are related to receivables for which there was no recent history of default and with no fixed term of repayment.

27. FINANCIAL ASSETS HELD FOR TRADING

The balances as at 31 December 2017 and 2016 represent the fair values of equity shares of a portfolio of Hong Kong listed securities based on the closing prices of these securities quoted on the HKEX on that date. The directors of the Company consider that the closing prices of these securities are the fair values of the investments.

	2017 **RMB'000**	2016 RMB'000
Listed equity investments, at market value		
Zall Group Ltd. (02098.HKEX)	**6,761,509**	5,125,172
China Saite Group Company Limited (00153.HKEX)	**95,194**	96,844
Nanjing Sinolife United Company Limited		
("**Nanjing Sinolife**") (03332.HKEX)*	**–**	67,809
C&D International Investment Group Limited (01908.HKEX)	**345,317**	184,657
Medicskin Holdings Limited (08307.HKEX)	**40,037**	62,632
	7,242,057	5,537,114

* During the year ended 31 December 2017, the Group entered into an agreement with its associate, Hin Sang, pursuant to which the Group agreed to dispose of all of the 45,411,600 shares in Nanjing Sinolife held by the Group at the consideration of approximately HK$73,113,000 (equivalent to approximately RMB62,194,000).

28. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2017 **RMB'000**	2016 RMB'000
Contractual right in relation to a listed entity, at fair value	(a)	**493,699**	526,351
Convertible Bonds	(b)	**196,013**	–
		689,712	526,351

Notes:

(a) On 12 August 2016, the Group entered into an agreement with Xizang Ruihua Capital Management Co., Ltd.*（西藏瑞華投資管理有限公司）("**Xizang Ruihua**") and Jiangsu Ruihua Investment Holdings Group Co., Ltd.*（江蘇瑞華投資控股集團有限公司）to acquire certain income right of the restricted shares of Bohai 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 31 December 2017 based on valuations performed by Avista at RMB493,699,000 (2016: RMB526,351,000). During the year ended 31 December 2017, the unrealised loss arising from holding this investment amounted to approximately RMB32,652,000 (2016: unrealised gain of RMB26,351,000) was recorded and included in fair value change in financial instruments.

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

* *For identification purpose only*

29. PROPERTIES UNDER DEVELOPMENT

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**1,471,003**	2,379,083
Additions	**750,922**	1,205,514
Acquisition of subsidiaries (note 45(b))	**322,825**	–
Interest capitalised (note 8)	**8,704**	34,217
Disposal of subsidiaries (note 46)	**(59,467)**	–
Transferred to properties held for sale	**(1,564,334)**	(2,147,811)
At the end of the year	**929,653**	1,471,003

	2017 RMB'000	2016 RMB'000
Represented by:		
Land use rights	**142,207**	355,770
Construction costs and capitalised expenditure	**787,446**	1,115,233
	929,653	1,471,003

According to the accounting policy of the Group, properties under development are classified as current assets as the construction period of the relevant property development projects are expected to be completed in the normal operating cycle.

The carrying amount of properties under development of approximately RMB19,319,000 (2016: RMB314,738,000) as at 31 December 2017 is expected not to be realised within the next twelve months from the end of the reporting period.

30. PROPERTIES HELD FOR SALE

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

31. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED BANK DEPOSITS AND STRUCTURED BANK DEPOSITS

(a) Cash and cash equivalents, pledged bank deposits and restricted bank deposits

	Notes	2017 RMB'000	2016 RMB'000
Cash and bank balances		4,789,216	3,916,983
Time deposits		3,542,955	2,528,915
		8,332,171	6,445,898
Less: Pledged time deposits and bank balances		(2,894,031)	(2,581,830)
Less: Restricted bank deposit	(i)	(216,461)	–
Cash and cash equivalents		5,221,679	3,864,068

Notes:

(i) Balance represented the deposit held for a client. Further details of the restricted bank deposits are given in note 33 to the consolidated financial statement.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB3,919,140,000 (2016: RMB2,825,724,000). The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED BANK DEPOSITS AND STRUCTURED BANK DEPOSITS *(continued)*

(b) Structured bank deposits ("SBDs")

At the end of the reporting period, SBDs represent financial instruments placed by the Group to various banks in Mainland China for a term within one year. The SBDs contain embedded derivatives representing return which would vary with market exchange rates or investment return. Considering the principal-protected nature or short maturity of the deposits, the directors of the Company consider that the fair value of the embedded derivatives is minimal and hence no derivative financial instrument is recognised. Parts of the SBDs amounted to RMB9,000,000 were redeemed subsequent to the year end and the changes on redeemed amounts are not significant.

32. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	RMB'000
Trade payables	**2,033,043**	2,182,270
Bills payables	**4,781,908**	4,688,610
	6,814,951	6,870,880

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

	2017	2016
	RMB'000	RMB'000
Within 3 month	**5,169,819**	5,110,906
3 to 6 months	**609,473**	1,273,637
6 to 12 months	**796,492**	195,564
Over 1 year	**239,167**	290,773
	6,814,951	6,870,880

Included in the trade and bills payables are trade payables of RMB5,325,000 (2016: RMB91,770,000) due to associates and RMB178,000(2016: RMB194,000) due to joint ventures which are repayable within 90 days, which represents credit terms similar to those offered by the associates or joint ventures to their major customers.

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

33. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Accruals	996,413	1,107,783
Amounts due to joint ventures	30,000	31,096
Amounts due to associates	1,350	28,208
Due to other related parties	–	4,701
Other tax payables	124,983	95,618
Other payables	524,569	424,751
Payroll and welfare payables	176,199	190,746
Client's fund*	216,461	–
Liability arising from financial guarantee contracts	11,108	–
Payables for purchase of property, plant and equipment	122,284	140,008
	2,203,367	2,022,911

* As at 31 December 2017, the balance represented payable to a client who is an individual third party in respect of the segregated bank balance received and held for the client in the course of the conduct of the regulated activities of the Group's subsidiary. The balance was fully returned to the client after the deal was completed on 5 January 2018.

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

34. RECEIPTS IN ADVANCE AND DEPOSITS RECEIVED

Receipts in advance and deposits received represent sales proceeds received from customers in connection with the Group's pre-sale of properties and deposits received for the Group's other business.

	2017 RMB'000	2016 RMB'000
Receipts in advance in connection with the Group's pre-sale of properties	414,666	973,309
Deposits received in connection with the Group's other businesses	557,000	448,054
	971,666	1,421,363

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	
	Assets	Liabilities
	RMB'000	RMB'000
Forward contracts	–	95,489

During the year ended 31 December 2017, the Group entered into several forward contracts with independent third parties to acquire three entities which hold in aggregate 4,104,137 Class A ordinary shares, 6,949,997 Class B ordinary shares and 5,618,635 ADSs of Tuniu at an aggregate consideration of US$90,254,000. As at 31 December 2017, the Group had outstanding future contracts relating to the acquisition of two entities which hold in aggregate 4,104,137 Class A ordinary shares, 6,949,997 Class B Shares and 2,530,481 ADSs of Tuniu with consideration of US$62,152,000. These forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The Group determined the fair value of these forward contracts based on the quoted price of Tuniu ADSs on NASDAQ at 31 December 2017. The contract period was expired on 15 January 2018. Subsequent to the end of the reporting period, the expiry date of the contracts was extended to 30 April 2018. Changes in the fair value of non-hedging derivative amounting to RMB125,829,000 were charged to profit or loss during the year (2016: nil).

36. BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	1.05-5.80	2018	4,250,763	4.57-6.69	2017	2,734,923
Bank loans – secured	2.80-5.78	2018	1,253,015	1.48-8.14	2017	2,818,949
Guaranteed listed bonds	–	–	–	9.77	2017	260,694
Other borrowings – unsecured	3.00-8.00	2018	1,778,320	1.19	2017	142,200
Current portion of long term loans:						
Bank loans – secured	4.90-5.60	2018	95,000	5.94-6.18	2017	215,000
Other loans – secured	–	–	–	2.99-13.21	2017	2,075
Loan from related parties – unsecured	–	2018	811,697	–	2017	52,094
Medium-term notes – unsecured	6.20	2018	500,000	–	–	–
			8,688,795			6,225,935
Non-current						
Medium-term notes – unsecured	8.50	2019	500,000	6.20-8.50	2018-2019	1,000,000
Bank loans – secured	2.94-5.78	2019-2026	1,592,712	4.90-6.18	2018-2026	1,729,983
Other borrowings – secured	6.00-8.00	2019	666,000	–	–	–
Other borrowings – unsecured	6.10-6.41	2019-2020	604,934	4.75	2018	20,000
			3,363,646			2,749,983
			12,052,441			8,975,918

36. BANK AND OTHER BORROWINGS *(continued)*

As at 31 December 2017, the Group's borrowings denominated in currencies other than RMB were US$215,217,000 (2016: US$20,000,000), HK$940,200,000 (2016: HK$455,522,000) and EUR24,390,000 (2016: nil) which were equivalent to RMB1,409,557,000, RMB784,219,000 and RMB190,298,000 (2016: RMB138,740,000, RMB409,919,000 and nil) respectively. All other borrowings were denominated in RMB.

	2017	2016
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,598,778**	5,768,872
In the second year	**448,150**	471,841
In the third to fifth years, inclusive	**531,125**	356,125
Beyond five years	**613,437**	902,017
	7,191,490	7,498,855
Other borrowings repayable:		
Within one year	**3,090,017**	457,063
In the second year	**1,515,934**	520,000
In the third to fifth years, inclusive	**255,000**	500,000
	4,860,951	1,477,063
	12,052,441	8,975,918

36. BANK AND OTHER BORROWINGS *(continued)*

Notes:

Certain of the Group's bank loans are secured by:

(i) The mortgages over the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of RMB3,599,360,000 (2016: RMB2,347,014,000);

(ii) The mortgages over the Group's properties under development, which had an aggregate carrying value at the end of the reporting period of approximately RMB95,525,000 (2016: RMB487,620,000);

(iii) The pledge of certain of the Group's bank balances and time deposits amounting to RMB2,894,031,000 (2016: RMB2,581,830,000);

(iv) The pledge of certain of the Group's trade and bills receivables amounting to RMB977,986,000 (2016: RMB1,292,704,000);

(v) The pledge of the Group's property, plant and equipment amounting to RMB171,016,000 (2016: RMB114,750,000);

(vi) The pledge of the Group's prepaid land lease payments amounting to RMB58,170,000 (2016: RMB178,482,000);

(vii) The pledge of the Group's financial assets held for trading amounting to RMB2,459,408,000 at 31 December 2016. There was no such pledge as at 31 December 2017;

(viii) The pledge of certain of the Group's available-for-sale investments amounting to RMB200,000,000 (2016: nil); and

(ix) The pledge of the Group's 36% equity interest in CHS, a subsidiary of the Group.

In addition, bank loans of RMB1,227,187,000 and RMB501,000,000 as at 31 December 2017 were guaranteed by Mr. Ji and jointly guaranteed by both a close family member of Mr. Ji and Mr. Ji, respectively.

37. CONVERTIBLE BONDS

On 7 September 2016, the Group entered into a subscription agreement with Macquarie Bank Limited (the "**Subscriber**") to issue zero coupon convertible bonds (the "**Notes**") in an aggregate principal amount of HK$350,000,000 with five sub-tranches of HK$70,000,000 each. In the year ended 31 December 2016, two sub-tranches of the Notes have been issued and fully converted. As at 31 December 2016, the balance represented the outstanding third sub-tranches of the Notes with a principal amount of HK$25,000,000.

During the year ended 31 December 2017, no Notes have been converted at the maturity date in November 2017, and all the outstanding Notes have been redeemed by the Group.

The Notes have been split into the liability and derivative components as follows:

	Debt component (Note a) RMB'000	**Derivative component (Note b)** RMB'000	**Total** RMB'000
Initial recognition upon issuance of the Notes	174,937	8,916	183,853
Interest expense recorded in finance costs (note 8)	2,412	–	2,412
Changes in fair value of the derivative component of the Notes (note 5)	–	10,745	10,745
Conversion (note c)	(156,538)	(16,764)	(173,302)
Exchange realignment	(25)	(2)	(27)
As at 31 December 2016	20,786	2,895	23,681
As at 1 January 2017	20,786	2,895	23,681
Interest expense recorded in finance costs (note 8)	1,414	–	1,414
Changes in fair value of the derivative component of the Notes (note 5)	–	(2,743)	(2,743)
Redemption	(21,035)	–	(21,035)
Exchange realignment	(1,165)	(152)	(1,317)
As at 31 December 2017	–	–	–

(a) The debt component was initially recognised at its fair value, which was the residual amount after deducting the fair value of the embedded financial derivatives from the net proceeds at initial recognition, and it is subsequently carried at amortised cost.

(b) Embedded financial derivatives comprises the fair value of the option of the Subscribers to convert the Notes into ordinary shares of the Company at the conversion price and the fair value of the option of Subscribers to require the Company to redeem the Notes. These embedded options are interdependent. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

(c) During the year ended 31 December 2016, the Notes were converted into an aggregate of 44,190,000 shares of the Company.

38. CORPORATE BONDS

2014 Corporate Bonds

On 8 December 2014, the Company issued a six-year semi-annual coupon corporate bond with a principal amount of HK$10,400,000 (equivalent to approximately RMB8,268,000) carrying interest at 7% per annum, before direct issue cost of approximately RMB1,262,000 (the "**2014 Corporate Bonds**"). The effective interest rate as at 31 December 2017 was 9.6% (2016: 9.6%).

	RMB'000
At 1 January 2016	7,794
Imputed interest	807
Interest paid	(621)
Exchange difference recognised in profit or loss	459
At 31 December 2016 and 1 January 2017	8,439
Imputed interest	834
Interest paid	(631)
Exchange difference recognised in profit or loss	(621)
At 31 December 2017	8,021

2017 Corporate Bonds

In March and July 2017, the Group issued two five-year annual coupon corporate bonds with principal amounts of RMB900,000,000 and RMB1,020,000,000, carrying interest at 6.47% and 6.50% per annum, respectively, before direct issue cost of approximately RMB7,982,000, in aggregate (the "**2017 Corporate Bonds**"). The effective interest rates as at 31 December 2017 were 6.59% and 6.62%, respectively (2016: N/A).

	RMB'000
At 1 January 2017	–
Issued	1,912,018
Imputed interest	76,507
At 31 December 2017	1,988,525

38. CORPORATE BONDS *(continued)*

2017 Corporate Bonds *(continued)*

	2017 RMB'000	2016 RMB'000
Analysed for reporting purposes as:		
Current liabilities (included in other payables and accruals)	76,558	52
Non-current liabilities	1,919,988	8,387
	1,996,546	8,439

39. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its plant and machinery for its new energy business. The lease became due and was fully repaid in June 2017 (2016: one finance lease of remaining lease terms for six months).

Interest rate was carried at 8.51% per annum (2016: 8.51% per annum).

At 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2017 RMB'000	Minimum lease payments 2016 RMB'000	Present value of minimum lease payments 2017 RMB'000	Present value of minimum lease payments 2016 RMB'000
Amounts payable:				
Within one year	–	7,170	–	7,007
Total minimum finance lease payments	–	7,170	–	7,007
Future finance charges	–	(163)		
Total net finance lease payables	–	7,007		
Portion classified as current liabilities	–	(7,007)		
Non-current portion	–	–		

40. WARRANTY PROVISION

	Product warranties RMB'000
At 1 January 2016	1,475
Acquisition of subsidiaries (note 45(g))	101,123
Additional provision	11,485
Amounts utilised during the year	(9,886)
At 31 December 2016, classified as current liabilities	104,197
At 1 January 2017	104,197
Additional provision	84,938
Disposal of subsidiaries (note 46(c))	(4,005)
Amounts utilised during the year	(64,466)
At 31 December 2017, classified as current liabilities	120,664

The Group provides product warranties to its customers on certain of its gear products (2016: healthcare equipment and gear products), under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

41. DEFERRED TAX

(a) Details of the deferred tax assets recognised in the consolidated statement of financial position and movements during the year are as follows:

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

	Tax losses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Write-down of inventories RMB'000	Impairment of receivables RMB'000	Other payables and accrued expenses RMB'000	Deferred income arising from land resumption RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	512	–	–	5,361	8,808	–	28,826	503	44,010
Acquisition of subsidiaries (note 45(g))	7,430	1,333	47,237	60,252	36,276	27,109	–	–	179,637
Disposal of subsidiaries (note 46(f))	(380)	–	–	–	–	–	–	–	(380)
Deferred tax credited/(charged) to profit or loss during the year	5,792	1,605	(262)	353	2,186	–	17,057	2,105	28,836
Gross deferred tax assets at 31 December 2016	13,354	2,938	46,975	65,966	47,270	27,109	45,883	2,608	252,103

The Group has tax losses of RMB1,636,119,000 (2016: RMB1,129,499,000) arising from Mainland China that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses of RMB1,505,007,000 (2016: RMB1,076,083,000) as they have arisen in subsidiaries that have been loss-making for continuously and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

41. DEFERRED TAX *(continued)*

(b) Details of the deferred tax liabilities recognised in the consolidated statement of financial position and movements during the year are as follows:

	Change in fair value of identified assets upon acquisition of subsidiaries RMB'000	Temporary difference between accounting basis and tax basis of investment properties RMB'000	Change in fair value of financial assets RMB'000	Withholding taxes RMB'000	Development cost RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	589,037	354,207	910,218	59,194	14,708	4,765	1,932,129
Acquisition of subsidiaries (note 45(b)&(d))	22,344	–	–	–	–	–	22,344
Disposal of subsidiaries (note 46(a),(b)&(d))	(21,276)	(331)	–	–	(3,280)	–	(24,887)
Deferred tax (credited)/charged to profit or loss during the year	(122,032)	132,823	342,303	45,865	(11,428)	2,795	390,326
Deferred tax charged to other comprehensive income during the year	–	–	(85,689)	–	–	–	(85,689)
Exchange realignment	–	–	(63,729)	–	–	–	(63,729)
Gross deferred tax liabilities at 31 December 2017	468,073	486,699	1,103,103	105,059	–	7,560	2,170,494

	Change in fair value of identified assets upon acquisition of subsidiaries RMB'000 (Restated)	Temporary difference between accounting basis and tax basis of investment properties RMB'000	Change in fair value of financial assets RMB'000	Withholding taxes RMB'000	Development cost RMB'000	Others RMB'000	Total RMB'000 (Restated)
At 1 January 2016	171,114	75,529	147,725	–	–	–	394,368
Acquisition of subsidiaries (note 45(e),(f),(g)&(h))	629,505	276,873	95,585	44,397	18,263	832	1,065,455
Deferred tax (credited)/charged to profit or loss during the year	(211,582)	1,805	557,154	14,797	(3,555)	3,933	362,552
Deferred tax charged to other comprehensive income during the year	–	–	74,889	–	–	–	74,889
Exchange realignment	–	–	34,865	–	–	–	34,865
Gross deferred tax liabilities at 31 December 2016	589,037	354,207	910,218	59,194	14,708	4,765	1,932,129

41. DEFERRED TAX *(continued)*

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

	2017 RMB'000	2016 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**294,954**	210,070
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,119,643)**	(1,890,096)
	(1,824,689)	(1,680,026)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the application rate is 5% and 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB8,532,761,000 as at 31 December 2017 (31 December 2016: RMB7,899,277,000) that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

42. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Authorised:		
40,000,000,000 (2016: 40,000,000,000) ordinary shares of HK$0.01 each	**314,492**	314,492

42. SHARE CAPITAL *(continued)*

Shares *(continued)*

	2017 **RMB'000**	2016 RMB'000
Issued and fully paid:		
19,729,061,731 (2016: 19,729,061,731) ordinary shares of HK$0.01 each	**161,084**	161,084

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital RMB'000**
At 1 January 2016	15,638,107,500	124,942
Issuance upon acquisition of subsidiaries (note 45)	3,389,641,731	30,094
Issuance upon conversion of convertible bonds ((a) & note 37(c))	44,190,000	391
Issuance upon acquisition of an associate (b)	118,765,000	1,017
Issuance under placing (c)	538,357,500	4,640
At 31 December 2016 and 31 December 2017	19,729,061,731	161,084

Notes:

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

(a) On 7 September 2016, the Company entered into a subscription agreement with Macquarie Bank Limited (the "**MBL**") to issue zero coupon convertible bonds in an aggregate principal amount of HK$350,000,000 with five sub-tranches of HK$70,000,000 each. The issue price is 99% of the principal amount of the convertible bonds. During the year ended 31 December 2016, two sub-tranches of the convertible bonds have been converted to 44,190,000 ordinary shares for net cash proceeds of approximately RMB161,581,000.

(b) On 23 June 2016, the Company issued 118,765,000 ordinary shares of HK$0.01 each as partial consideration for the acquisition of an approximately 23% interest in Hin Sang.

(c) On 29 September 2016, the Company issued 538,357,500 ordinary shares of HK$0.01 each for HK$3.715 each, raising proceeds of HK$1,999,998,000 (equivalent to approximately RMB1,723,617,000), before issue costs.

43. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 90 of the consolidated financial statements.

43. RESERVES *(continued)*

(a) Equity reserve

Equity reserve represented (i) 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 (ii) 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.

(b) Statutory surplus reserve

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

(c) 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.

(d) Other reserve

Other reserve represents (i) the gains/(losses) arising from transactions with non-controlling interests, (ii) 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, (iii) the amount due to the controlling shareholder waived by Mr. Ji and capitalised as capital contribution and (iv) 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 subsidiaries attributable to owners of the company being deemed disposed of.

* For identification purpose only

44. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2017 RMB'000	2016 RMB'000
Percentage of equity interest held by non-controlling interests:		
CHS	**26.09%**	26.09%

	2017 RMB'000	2016 RMB'000 (Restated)
Total comprehensive (loss)/income for the year/period allocated to non-controlling interests:		
CHS	**(184,675)**	19,900
Accumulated balances of non-controlling interests at the end of the reporting period:		
CHS	**3,225,773**	3,540,021

The following tables illustrate the summarised financial information of the above subsidiary included in the consolidated financial statements. The amounts disclosed are before any inter-company eliminations:

CHS

	For the year ended 31 December 2017 RMB'000	For the period from acquisition to 31 December 2016 RMB'000 (Restated)
Revenue	**8,241,914**	916,079
Total expenses	**(8,403,168)**	(1,046,933)
Loss for the year/period	**(161,254)**	(130,854)
Total comprehensive (loss)/income for the year/period	**(423,858)**	93,814
Current assets	**18,025,845**	17,585,036
Non-current assets	**11,135,346**	11,038,494
Current liabilities	**(13,441,242)**	(13,495,451)
Non-current liabilities	**(3,447,738)**	(2,120,956)
Net cash flows from operating activities	**2,202,723**	648,528
Net cash flows used in investing activities	**(1,634,817)**	(143,444)
Net cash flows from/(used in) financing activities	**717,480**	(499,374)
Net increase in cash and cash equivalents	**1,285,386**	5,710

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL

For the year ended 31 December 2017

(a) Acquisition of Sparrow Early Learning Pty Ltd and its wholly-owned subsidiaries (collectively referred to as "Sparrow")

On 20 January 2017, the Group acquired a 90% of the equity interest in Sparrow through acquisition from SOX Childcare Centres Pty Ltd, an independent third party, and a subscription of Sparrow's new shares at an aggregate cash consideration of AU$72,900,000 (equivalent to approximately RMB376,994,000). Sparrow is principally engaged in providing early childhood care and education. As the Group focused on green and healthy living, the acquisition demonstrates a strong alignment with the Group's interest and commitment in the development and wellness of children. The acquisition has been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in Sparrow at the non-controlling interest's proportionate share of Sparrow's identifiable net assets. The consolidated financial statements include the results of Sparrow since the acquisition date.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	10,786
Deferred tax assets (note 41(a))	3,869
Pledged bank deposits	8,529
Cash and cash equivalents	13,533
Trade and bills receivables	3,324
Prepayments, deposits and other receivables	3,506
Trade and bills payables	(3,789)
Other payables and accruals	(30,956)
Total identifiable net assets at fair value	8,802
Less: Non-controlling interests	(842)
Goodwill arising on acquisition (note 17)	369,034
Total consideration settled by cash	376,994
Analysis of cash flows on acquisition:	
Cash acquired with the subsidiaries	13,533
Cash paid	(372,973)
Net cash flow on acquisition included in cash flow from investing activities	(359,440)
Deposits paid for potential acquisition in the previous year	(4,021)
Transaction costs of the acquisition included in cash flow from operating activities	(3,135)
	(366,596)

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(a) Acquisition of Sparrow Early Learning Pty Ltd and its wholly-owned subsidiaries (collectively referred to as "Sparrow") *(continued)*

From the date of acquisition, Sparrow has contributed RMB202,190,000 to the Group's revenue and net profit of RMB25,554,000 to the Group for the year ended 31 December 2017. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been RMB11,033,914,000 and RMB2,125,454,000, respectively.

The fair value of the trade receivables and other receivables as at the date of acquisition amounted to RMB3,324,000 and RMB8,529,000, respectively. The gross contractual amount of trade receivables and other receivables were RMB3,324,000 and RMB8,529,000, respectively.

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and the future market development of Sparrow. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB3,135,000 have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income and are part of operating cash flows in the consolidated statement of cash flows.

(b) Acquisition of Kunshan Herong Properties Development Limited*（昆山和融房地產開發有限公司）("Kunshan Herong ")

On 28 June 2017, the Group acquired the entire equity interests in Kunshan Herong from Kunshan Ronghui Properties Development Limited*（昆山市融匯房地產開發有限公司）, an independent third party at a cash consideration of RMB26,410,000. Kunshan Herong is principally engaged in property development and operation. The acquisition was made as part of the Group's strategy to expand the property development business. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Kunshan Herong since the acquisition date.

* *For identification purpose only*

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(b) Acquisition of Kunshan Herong Properties Development Limited*（昆山和融房地產開發有限公司）("Kunshan Herong ") *(continued)*

The fair values of the identifiable assets and liabilities of Kunshan Herong at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	40
Cash and cash equivalents	23,862
Prepayments, deposits and other receivables	60,899
Tax prepaid	7,745
Properties under development (note 29)	322,825
Properties held for sale	72,488
Trade payables	(42,312)
Other payables and accruals	(178,643)
Deferred tax liabilities (note 41(b))	(8,822)
Bank and other borrowings	(193,634)
Total identifiable net assets at fair value	64,448
Gain on a bargain purchase recognised in acquisition of a subsidiary	(38,038)
Total consideration settled by cash	26,410
Analysis of cash flows on acquisition:	
Cash acquired with a subsidiary	23,862
Cash paid	(26,410)
Net cash flow on acquisition included in cash flow from investing activities	(2,548)
Transaction costs of the acquisition included in cash flow from operating activities	(443)
	(2,991)

* *For identification purpose only*

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(b) Acquisition of Kunshan Herong Properties Development Limited*（昆山和融房地產開發有限公司）("Kunshan Herong ") *(continued)*

From the date of acquisition, Kunshan Herong has contributed RMB7,670,000 to the Group's revenue and net loss of RMB1,210,000 to the Group for the year ended 31 December 2017. Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been RMB11,034,169,000 and RMB2,128,251,000 respectively.

The fair values of other receivables as at the date of acquisition amounted to RMB5,063,000. The gross contractual amount of other receivables was RMB5,063,000.

The Group recognised a gain on a bargain purchase of approximately RMB38,038,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. In the opinion of the directors of the Company, the gain on bargain purchase is mainly attributable to the immediate cash realisation and business risk mitigation opportunity offered to the vendors and the Group's capability in negotiating the terms of the transaction in favor of the Group with the vendors.

Transaction costs of RMB443,000 have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income and are part of operating cash flows in the consolidation statement of cash flows.

(c) Acquisitions of four early learning service centres

On 28 July 2017, 11 August 2017 and 1 September 2017, the Group acquired the entire equity interests in four early learning service centres, including Harmony Early Learning Journey Sippy Downs, Harmony Early Learning Journey Yarrabilba, Upper Coomera Early Learning Centre and Educating Kids Childrens Centre – Eagleby (collectively referred to as the "Centres"), from their original shareholders (four independent third parties) at cash considerations of AU$4,630,000 (equivalent to RMB24,855,000), AU$5,292,000 (equivalent to RMB27,616,000), AU$5,533,000 (equivalent to RMB28,802,000) and AU$2,788,000 (equivalent to RMB14,516,000), respectively. The Centres are principally engaged in providing early childhood care and education. As the Group focused on green and healthy living, the acquisitions demonstrate a strong alignment with the Group's interest and commitment in the development and wellness of children. The acquisitions have been accounted for using the acquisition method. The consolidated financial statements include the results of the Centres since the respective acquisition dates.

* *For identification purpose only*

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(c) Acquisitions of four early learning service centres *(continued)*

The provisional fair values of the identifiable assets and liabilities of the Centres in aggregate at the respective dates of acquisition were as follows:

	Acquiree's provisional fair value recognised on acquisition
	RMB'000
Property, plant and equipment (note 14)	813
Prepayments, deposits and other receivables	275
Other payables and accruals	(1,108)
Receipts in advance and deposits received	(352)
Total identifiable net liabilities at provisional fair value	(372)
Goodwill arising on acquisition	93,120
Total consideration settled by cash	92,748
Analysis of cash flows on acquisition:	
Cash paid	(92,748)
Net cash flow on acquisition included in cash flow from investing activities	(92,748)

The initial accounting for the above acquisition in the consolidated financial statements has been determined provisionally as the Group is awaiting the final result of an independent valuation in relation to certain assets acquired in the transactions. The valuation has not been completed by the date the consolidated financial statements were approved. Accordingly, the amounts of identifiable net liabilities and goodwill as stated above may be subsequently adjusted.

From the date of acquisition, the Centres have contributed in aggregate RMB17,534,000 to the Group's revenue and net profit of RMB4,719,000 to the Group for the year ended 31 December 2017. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been RMB11,033,914,000 and RMB2,146,002,000 respectively.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(c) Acquisitions of four early learning service centres *(continued)*

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and the future market development of the Centres. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

(d) Acquisition of assets and liabilities through acquisition of subsidiaries

On 20 March 2017, the Group acquired 100% equity interest in Nanjing Gaote Group from two independent third parties. Nanjing Gaote Group was principally engaged in the manufacturing of gearbox. Prior to the acquisition, Nanjing Gaote Group has suspended production with no incomplete order and no employee. At the date of acquisition, Nanjing Gaote Group mainly held certain prepaid land lease payments and property, plant and equipment. The acquisition was made solely to acquire its machinery and land and buildings for gear production. Accordingly, the acquisition of the Nanjing Gaote Group has been accounted for as acquisition of assets through acquisition of subsidiaries.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2017 *(continued)*

(d) Acquisition of assets and liabilities through acquisition of subsidiaries *(continued)*

The assets and liabilities of Nanjing Gaote Group as at the date of acquisition were as follows:

	Fair value consideration allocated RMB'000
Property, plant and equipment (note 14)	783,922
Prepaid land lease payments (note 16)	112,790
Cash and cash equivalents	2,319
Pledged bank deposits	1,972
Inventories	15,701
Trade and bills receivables	6,551
Prepayments, deposits and other receivables	12,342
Other tax prepaid	65,636
Trade and bills payables	(11,026)
Other payables and accruals	(825,335)
Deferred tax liabilities (note 41(b))	(13,522)
Total net assets acquired	151,350
Total consideration settled by cash	151,350

An analysis of the cash flows on acquisition:

	RMB'000
Cash acquired with the subsidiaries	2,319
Cash paid	(151,350)
Net cash flow on acquisition included in cash flow from investing activities	(149,031)

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016

(e) Acquisition of Five Seasons IX Limited and its wholly-owned subsidiaries, Guangzhou Haizhu District Life-infinity Medical Clinic Limited*（廣州市海珠區生命匯醫療門診有限公司）, Guangzhou Life-infinity Catering Management Limited*（廣州市生命匯飲食管理有限公司）, Guangzhou Life-Infinity Fitness Centre Limited*（廣州市生命匯健身中心有限公司）, Wise Gold Investment Limited*（睿金投資有限公司）and Guangzhou Human Software Development Company Limited*（廣州人力網絡軟件開發有限公司）(collectively referred to as "Five Seasons IX")

On 18 May 2016, the Group acquired 51% of the equity interests in Five Seasons IX from Mr. Deng Xiaoxiong, an independent third party before the acquisitions at a cash consideration of RMB1,581,000. In addition, the Group assumed the shareholder's loan by Five Seasons IX amounting to RMB35,700,000. Five Seasons IX is principally engaged in providing high-end healthcare services. The acquisition was made as part of the Group's strategy to expand the healthcare business. The acquisition has been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in Five Seasons IX at the non-controlling interest's proportionate share of Five Seasons IX's identifiable net assets. The consolidated financial statements include the results of Five Seasons IX since the acquisition date.

* *For identification purpose only*

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(e) Five Seasons IX *(continued)*

The fair values of the identifiable assets and liabilities of Five Seasons IX as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	42,011
Other intangible assets (note 18)	23,000
Cash and cash equivalents	1,097
Trade receivables	77
Other receivables	2,921
Other payables and accruals	(12,769)
Bank and other borrowings	(71,239)
Receipts in advance	(3,833)
Deferred tax liabilities (note 41(b))	(3,935)
Taxation payable	(3,412)
Total identifiable net liabilities at fair value	(26,082)
Add: Non-controlling interests	12,780
Goodwill arising on acquisition (note 17)	14,883
Total consideration settled by cash	1,581
Analysis of cash flows on acquisition:	
Cash acquired with the subsidiaries	1,097
Cash paid	(1,581)
Net cash flow on acquisition included in cash flow from investing activities	(484)
Transaction costs of the acquisition included in cash flows from operating activities	(128)
	(612)

From the date of acquisition, Five Seasons IX has contributed RMB8,725,000 to the Group's revenue and net loss of RMB10,097,000 to the Group for the year ended 31 December 2016. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been RMB4,315,031,000 and RMB2,990,799,000, respectively.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(e) Five Seasons IX *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB77,000 and RMB2,921,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB77,000 and RMB2,921,000, respectively.

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Five Seasons IX. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB128,000 have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the consolidated statement of cash flows.

(f) Acquisition of High Access International Investments Limited and its wholly-owned subsidiaries, Nanjing Deying Property Limited*（南京德盈置業有限公司）, Frontier Rich Investment Limited and High Access International Investments Limited (collectively referred to as "High Access")

On 7 September 2016, the Group acquired 100% of the equity interests in High Access from Mr. Li Changming, an independent third party, at a consideration of RMB1,296,872,000, which was determined by Avista, independent professionally qualified valuer, by reference to a total of 341,555,000 shares of the Company to be issued for this acquisition and the closing price of the Company's shares at the date of completion. For the purpose of purchase price allocation, it was taking the view that the repayment of interest-free liabilities of Frontier Rich Investment Limited in the principal amount of RMB650,000,000 by the vendor shortly after the date of completion, which was considered by management as part of the acquisition rather than a separate transaction, had been made at the date of completion. Accordingly, the respective payable was excluded from the identifiable assets and liabilities below. High Access is principally engaged in holding and operating a commercial property located in Nanjing, Jiangsu Province, the PRC. The acquisition was made as part of the Group's strategy to expand the commercial property business. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of High Access since the acquisition date.

* *For identification purpose only*

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(f) High Access *(continued)*

The fair values of the identifiable assets and liabilities of High Access as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	1,111
Investment properties (note 15)	2,132,000
Cash and cash equivalents	14,650
Structured bank deposits	10,000
Prepayments, deposits and other receivables	128,520
Properties held for sale	1,878
Trade receivables	70,896
Bank and other borrowings	(560,000)
Trade payables	(18,674)
Receipts in advance	(60)
Other payables and accruals	(62,306)
Taxation payable	(140,518)
Deferred tax liabilities (note 41(b))	(276,873)
Total identifiable net assets at fair value	1,300,624
Gain on a bargain purchase	(3,752)
Total consideration	1,296,872

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(f) High Access *(continued)*

	RMB'000
Analysis of cash flows on acquisition:	
Cash acquired with the subsidiaries	14,650
Cash paid	–
Net cash flow on acquisition included in cash flow from investing activities	14,650
Transaction costs of the acquisition included in cash flows from operating activities	(300)
	14,350

From the date of acquisition, High Access has contributed RMB37,906,000 to the Group's revenue and net profit of RMB17,254,000 to the Group for the year ended 31 December 2016. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been RMB4,478,779,000 and RMB3,044,195,000, respectively.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB70,896,000 and RMB127,741,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB70,896,000 and RMB127,741,000, respectively.

Transaction costs of RMB300,000 have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the consolidated statement of cash flows.

(g) Acquisition of CHS which constituted a very substantial acquisition transaction

On 19 September 2016, the Group made a joint announcement with CHS for the voluntary conditional share exchange offer to acquire all of the issued shares of CHS other than the 9.08% shares already owned by Mr. Ji. The offer became unconditional in all respects on 21 November 2016 ("**First Closing Date**"). The share exchange was completed on 30 November 2016 for the valid acceptances received on the First Closing Date. On 5 December 2016, the Group closed the offer with the result of acquisition of 73.91% of issued shares of CHS. The Group has issued 3,021,444,231 shares in aggregate at a consideration of RMB10,925,766,000, which was determined by reference to the closing market prices of the Company's shares at the date of issuance. CHS is principally engaged in the manufacturing and sale of gear products that are used in wind power and a wide range of industrial applications. The acquisition was made as part of the Group's strategy to enter into the wind power sector in the PRC. The acquisition has been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in CHS at the non-controlling interest's proportionate share of CHS's identifiable net assets. The consolidated financial statements include the results of CHS since the acquisition date.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(g) Acquisition of CHS which constituted a very substantial acquisition transaction *(continued)*

Up to the date the Group issued its consolidated financial statements as of and for the year ended 31 December 2016, the Group did not complete the purchase price allocation of this acquisition. The initial accounting for the acquisition of CHS was determined provisionally in the consolidated financial statements as of and for the year ended 31 December 2016. During the year ended 31 December 2017, the valuation was completed. Consequently, the consolidated financial statements as of and for the year ended 31 December 2016 were restated as if the initial accounting had been completed on the acquisition date with the finalised purchase price allocation of the acquisition.

The finalised fair values of the identifiable assets and liabilities of CHS as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Restated)
Property, plant and equipment (note 14)	5,857,757
Prepaid land lease payments (note16)	1,417,280
Other intangible assets (note 18)	830,000
Investments in joint ventures	107,281
Investments in associates	158,303
Available-for-sale investments	876,789
Deferred tax assets (note 41(a))	179,637
Inventories	3,007,306
Trade and bills receivables	7,149,625
Prepayments, deposits and other receivables	4,316,162
Pledged bank deposits	2,698,331
Cash and cash equivalents	2,739,313
Trade and bills payables	(6,405,024)
Bank and other borrowings	(6,946,154)
Warranty provision (note 40)	(101,123)
Other payables and accruals	(1,915,885)
Obligations under finance leases	(14,188)
Deferred tax liabilities (note 41(b))	(782,649)
Deferred income	(88,312)
Taxation payable	(182,674)
Total identifiable net assets at fair value	12,901,775
Non-controlling interests	(3,508,914)
Goodwill arising on acquisition (note 17)	1,532,905
Total consideration	10,925,766

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(g) Acquisition of CHS which constituted a very substantial acquisition transaction *(continued)*

	RMB'000
Analysis of cash flows on acquisition:	
Cash acquired with the subsidiaries	2,739,313
Cash paid	–
Net cash inflow on acquisition included in cash flows from investing activities	2,739,313
Transaction costs of the acquisition included in cash flows from operating activities	(27,819)
Net cash inflow on acquisition	2,711,494

Compared with the provisional purchase price allocation disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2016, the following items were restated:

	As originally stated RMB'000	As restated RMB'000	Change RMB'000
Property, plant and equipment	5,857,772	5,857,757	(15)
Prepaid lease payments	1,417,270	1,417,280	10
Other intangible assets	810,000	830,000	20,000
Available-for-sale investments	888,789	876,789	(12,000)
Prepayments, deposits and other receivables	4,306,021	4,316,162	10,141
Other payables and accruals	(1,915,875)	(1,915,885)	(10)
Goodwill	1,432,344	1,532,905	100,561
Deferred tax liabilities	(821,728)	(782,649)	39,079
Non-controlling interests	(3,351,148)	(3,508,914)	(157,766)

The respective profit or loss impact from the acquisition date to 31 December 2016 arising from the above restatement was not material.

From the date of acquisition, CHS has contributed RMB916,079,000 to the Group's revenue and net loss of RMB130,854,000 to the Group for the year ended 31 December 2016. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been RMB12,361,393,000 and RMB3,930,984,000, respectively.

The fair values of the trade and bills receivables, deposits and other receivables as at the date of acquisition amounted to RMB7,149,625,000 and RMB2,104,526,000, respectively. The gross contractual amounts of trade and bills receivables, deposits and other receivables were RMB7,625,595,000 and RMB2,108,571,000, respectively, of which trade receivables of RMB475,970,000 and other receivables of RMB4,045,000 are expected to be uncollectible.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(g) Acquisition of CHS which constituted a very substantial acquisition transaction *(continued)*

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and the future market development of CHS. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB27,819,000 have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the consolidated statement of cash flows.

(h) Acquisition of Baoqiao Group

On 6 December 2016, the Group acquired 70% of the equity interests in Baoqiao Group from Lin Wan Yan, an independent third party, at a consideration of HK$63,000,000 (equivalent to RMB57,931,000) in cash and RMB82,456,000 by issuing 26,642,500 shares of the Company in total. The fair value of the consideration shares was determined by reference to the closing market price of the Company's shares at the date of completion. Baoqiao Group is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 9 (asset management) business and money lender business in Hong Kong. The acquisition was made as part of the Group's strategy to expand the investment and financial advisory and asset management business. The acquisition has been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in Baoqiao Group at the non-controlling interest's proportionate share of Baoqiao Group's identifiable net assets. The consolidated financial statements include the results of Baoqiao Group since the acquisition date.

Up to the date the Group issued its consolidated financial statements as of and for the year ended 31 December 2016, the Group did not complete the purchase price allocation of this acquisition. The initial accounting for the acquisition of Baoqiao Group was determined provisionally in the consolidated financial statements as of and for the year ended 31 December 2016. During the year ended 31 December 2017, the valuation was completed. Consequently, the consolidated financial statements as of and for the year ended 31 December 2016 were restated as if the initial accounting had been completed on the acquisition date with the finalised purchase price allocation of the acquisition.

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(h) Acquisition of Baoqiao Group *(continued)*

The finalised fair values of the identifiable assets and liabilities of Baoqiao Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Restated)
Property, plant and equipment (note 14)	647
Other intangible assets (note 18)	12,106
Cash and cash equivalents	14,724
Loan receivable	202,916
Trade and bills receivables	3,957
Other payables and accruals	(202,052)
Deferred tax liabilities (note 41(b))	(1,998)
Taxation payable	(592)
Total identifiable net assets at fair value	29,708
Non-controlling interests	(8,872)
Goodwill arising on acquisition (note 17)	119,551
Total consideration	140,387
Analysis of cash flows on acquisition:	
Cash acquired with the subsidiaries	14,724
Cash paid	(57,931)
Net cash flow on acquisition included in cash flows from investing activities	(43,207)
Transaction costs of the acquisition included in cash flows from operating activities	(200)
	(43,407)

45. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(continued)*

For the year ended 31 December 2016 *(continued)*

(h) Acquisition of Baoqiao Group *(continued)*

Compared with the provisional purchase price allocation disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2016, the following items were restated:

	As originally stated RMB'000	As Restated RMB'000	Change RMB'000
Other intangible assets	–	12,106	12,106
Goodwill	126,683	119,551	(7,132)
Deferred tax liabilities	–	(1,998)	(1,998)
Non-controlling interests	(5,873)	(8,872)	(2,999)

The respective profit or loss impact from the acquisition date to 31 December 2016 arising from the above restatement was not material.

From the date of acquisition, Baoqiao Group has contributed RMB3,716,000 to the Group's revenue and RMB1,437,000 of net profit to the Group for the year ended 31 December 2016. Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2016 would have been RMB4,326,573,000 and RMB3,006,038,000, respectively.

The fair values of the trade and bills receivables and loan receivable as at the date of acquisition amounted to RMB3,957,000 and RMB202,916,000, respectively. The gross contractual amounts of trade and bills receivables and loan receivable were RMB3,957,000 and RMB202,916,000, respectively.

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Baoqiao Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB200,000 have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the consolidated statement of cash flows.

46. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

a) Nanjing Tianyun Real Estate Development Company Limited*（南京天韵房地產開發有限公司）("Nanjing Tianyun")

On 27 June 2017, the Group disposed of its 80% equity interest in Nanjing Tianyun to Nanjing Changfa Dushi Real Estate Development Co., Ltd.*（南京長發都市房地產開發有限公司）which directly held a 5% equity interest in Nanjing Tianyun prior to the completion of transaction, for a cash consideration of RMB787,000,000, of which RMB694,000,000 shall be deemed to be paid as the purchaser has assumed the liabilities to pay the amount due to Nanjing Tianyun on behalf of the Group.

The assets and liabilities of Nanjing Tianyun at the disposal date were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	395
Cash and cash equivalents	9,459
Trade and bills receivables	506
Prepayments, deposits and other receivables	845,438
Tax prepaid	31,570
Properties under development (note 29)	59,467
Properties held for sale	418,009
Trade and bills payables	(18,356)
Other payables and accruals	(190,139)
Receipts in advance and deposits received	(112,958)
Taxation payable	(10,296)
Bank and other borrowings	(96,110)
Deferred tax liabilities (note 41(b))	(6,282)
Non-controlling interests	(173,000)
Net assets disposed of	757,703
Gain on disposal of a subsidiary	29,297
Total consideration for disposal	787,000
Settled by: Cash	93,000
Amount due to Nanjing Tianyun	694,000

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

	RMB'000
Cash consideration, net	93,000
Cash and cash equivalents disposed of	(9,459)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	83,541

* *For identification purpose only*

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

b) Chongqing Tongjing Changhao Real Estate Development Company Limited*（重慶同景昌浩房地產開發有限公司）("Chongqing Tongjing Changhao")

On 29 June 2017, the Group entered into an agreement to dispose of its 90% equity interest in Chongqing Tongjing Changhao to Chongqing Huangfan Industrial Co., Ltd.*（重慶皇帆實業有限公司）, which directly held 10% equity interest in Chongqing Tongjing Changhao prior to the completion of transaction, for a cash consideration of RMB248,000,000. The disposal was completed on 10 July 2017.

The assets and liabilities of Chongqing Tongjing Changhao at the disposal date were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	506
Investment properties (note 15)	5,600
Properties held for sale	166,245
Cash and cash equivalents	52,766
Prepayments, deposits and other receivables	124,811
Tax prepaid	14,794
Trade and bills payables	(2,146)
Other payables and accruals	(41,034)
Receipt in advance and deposits received	(25,167)
Dividend payable	(15,447)
Deferred tax liabilities (note 41(b))	(331)
Taxation payable	(2,704)
Non-controlling interests	(26,645)
Net assets disposed of	251,248
Loss on disposal of a subsidiary	(3,248)
Cash consideration for disposal	248,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	248,000
Cash and cash equivalents disposed of	(52,766)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	195,234

* *For identification purpose only*

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

c) Shenzhen Anke and its subsidiaries (collectively referred to as "Shenzhen Anke Group")

On 22 December 2017, the Group entered into an agreement to dispose of its 53.1% equity interest in Shenzhen Anke to (i) Shenzhen Ying Sun Investment L.P.*（深圳影新投資合伙企業）("**Ying Sun Investment**"), (ii) Shenzhen Ying Tuo Investment L.P.*（深圳影拓投資合伙企業）("**Ying Tuo Investment**"), (iii) Shenzhen Ying Shun Investment L.P.*（深圳影信投資合伙企業）("**Ying Shun Investment**"), (iv) Mr. Zhu Li Ming*（朱黎明先生）, a key management of Shenzhen Anke; (v) Jiangsu Private Capital Investment Holding Limited*（江蘇民營投資控股有限公司）, (vi) Yancheng Yuehong Culture Fund Management Center (Limited Partnership)*（鹽城悦宏文化基金管理中心（有限合夥））, and (vii) Ms. Tang Jie*（湯潔女士）, for an aggregate cash consideration of RMB303,450,000. Ying Sun Investment, Ying Tuo Investment and Ying Shun Investment are entities controlled by the key management personnels of Shenzhen Anke. Upon completion of the transaction, the Group held 19.09% interest in Shenzhen Anke, which was classified as an available-for-sale investment. The disposal was completed on 29 December 2017.

The assets and liabilities of Shenzhen Anke Group at the disposal date were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	29,990
Deferred tax assets (note 41(a))	14,565
Inventories	159,025
Pledged bank deposits	1,499
Cash and cash equivalents	38,144
Trade and bills receivables	256,655
Prepayments, deposits and other receivables	83,502
Trade and bills payables	(157,570)
Other payables and accruals	(66,484)
Warranty provision (note 40)	(4,005)
Taxation payable	(1,700)
Bank and other borrowings	(239,100)
Deferred income	(22,000)
Non-controlling interests	(25,730)
Net assets disposed of	66,791
Fair value of the retained interests in Shenzhen Anke	(109,099)
Gain on disposal of subsidiaries	345,758
Cash consideration for disposal	303,450

* *For identification purpose only.*

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

c) Shenzhen Anke and its subsidiaries (collectively referred to as "Shenzhen Anke Group") *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	303,450
Unsettled consideration (Note)	(121,316)
Cash and cash equivalents disposed of	(38,144)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	143,990

Note: Pursuant to the agreement, the consideration receivable of RMB121,316,000 will be settled within 90 business days after the completion of transaction, the loan due to the Group of RMB158,000,000 included in bank and other borrowings will be settled in the year ended 31 December 2018.

d) Nanjing High Accurate Marine Equipment Co., Ltd.*（南京高精船用設備有限公司）, Zhenjiang Tongzhou Propeller Co., Ltd.*（鎮江同舟螺旋槳有限公司）(collectively referred to as "Marine Disposal Group"), Nanjing Jingjing Photoelectric Scienced Technology Co.,Ltd.*（南京京晶光電科技有限公司）and its Subsidiaries (collectively referred to as"LED Disposal Group") and Ordos Shenchuan Mining Equipment Manufacturing Co.,Ltd.*（鄂爾多斯市神傳礦用設備製造有限公司）("Ordos Shenchuan")

On 23 February 2017 and 27 March 2017, the Group entered into two equity transfer agreements with two independent third parties to dispose of its entire equity interest in Marine Disposal Group for an aggregate cash consideration of RMB607,000,000, and to assign a shareholder loan due from Zhenjiang Tongzhou Propeller Co., Ltd at its carrying value of RMB245,312,000. The Marine Disposal Group is engaged in the manufacturing and sales of marine gear transmission equipment. These disposals were completed on 27 February 2017 and 18 April 2017 respectively.

On 20 April 2017, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire equity interest in LED Disposal Group for a cash consideration of RMB155,176,000. The LED Disposal Group is engaged in the manufacturing and sales of LED products. The disposal was completed on 20 April 2017.

In December 2017, Nanjing Drive entered into an agreement with Datong Haode Equipment Leasing Co. Ltd. *（大同市浩德設備租賃有限公司）("Datong Haode"), the non-controlling interest shareholder of Ordos Shenchuan, to dispose of 45% of total shares of Ordos Shenchuan to Datong Haode. The disposal was completed on 5 December 2017. After the disposal, the Group retains 15% equity interest in Ordos Shenchuan and recognised as an available-for-sale investment at the end of the reporting period.

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

d) Nanjing High Accurate Marine Equipment Co., Ltd.*（南京高精船用設備有限公司）, Zhenjiang Tongzhou Propeller Co., Ltd.*（鎮江同舟螺旋槳有限公司）(collectively referred to as "Marine Disposal Group"), Nanjing Jingjing Photoelectric Scienced Technology Co., Ltd.*（南京京晶光電科技有限公司）and its Subsidiaries (collectively referred to as "LED Disposal Group") and Ordos Shenchuan Mining Equipment Manufacturing Co., Ltd.*（鄂爾多斯市神傳礦用設備製造有限公司）("Ordos Shenchuan") *(continued)*

The net assets of Marine Disposal Group, LED Disposal Group and Ordos Shenchuan at the disposal date, were as follows:

	Ordos Shenchuan RMB'000	Marine Disposal Group RMB'000	LED Disposal Group RMB'000	Total RMB'000
Net assets disposed of:				
Property, plant and equipment (note 14)	4,783	621,610	500,657	1,127,050
Prepaid land lease payments (note 16)	3,912	120,531	89,517	213,960
Investments in joint ventures	–	–	537	537
Other intangible assets (note 18)	–	21,059	–	21,059
Deferred tax assets (note 41(a))	–	262	–	262
Inventories	12,615	248,753	96,842	358,210
Pledged bank deposits	–	5,725	9,803	15,528
Cash and cash equivalents	5,417	12,262	58,475	76,154
Trade and bills receivables	11,202	210,513	261,574	483,289
Prepayments, deposits and other receivables	6,876	68,635	150,341	225,852
Trade and bills payables	(15,055)	(84,512)	(206,639)	(306,206)
Other payables and accruals	(1,908)	(288,765)	(477,070)	(767,743)
Receipts in advance and deposits received	–	(353,184)	(9,262)	(362,446)
Bank and other borrowings	–	–	(310,000)	(310,000)
Taxation payable	–	(148)	(467)	(615)
Deferred tax liabilities (note 41(b))	164	(3,560)	(14,878)	(18,274)
Deferred income	–	(1,700)	(6,512)	(8,212)
Non-controlling interests	(11,400)	(6,526)	(15,537)	(33,463)
	16,606	570,955	127,381	714,942
Loss on disposal of subsidiary	(7,273)	–	–	(7,273)
Fair value of the retained interests	(2,333)	–	–	(2,333)
Goodwill attributable to the disposal subsidiaries	–	36,045	27,795	63,840
Net consideration for disposal	7,000	607,000	155,176	769,176

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

d) Nanjing High Accurate Marine Equipment Co., Ltd.*（南京高精船用設備有限公司）, Zhenjiang Tongzhou Propeller Co., Ltd*（鎮江同舟螺旋槳有限公司）(collectively referred to as "Marine Disposal Group"), Nanjing Jingjing Photoelectric Scienced Technology Co., Ltd.*（南京京晶光電科技有限公司）and its Subsidiaries (collectively referred to as "LED Disposal Group") and Ordos Shenchuan Mining Equipment Manufacturing Co., Ltd.*（鄂爾多斯市神傳礦用設備製造有限公司）("Ordos Shenchuan") *(continued)*

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

	Ordos Shenchuan RMB'000	Marine Disposal Group RMB'000	LED Disposal Group RMB'000	Total RMB'000
Cash consideration	7,000	607,000	155,176	769,176
Unsettled consideration (note)	(6,000)	–	–	(6,000)
Cash and cash equivalents disposed of	(5,417)	(12,262)	(58,475)	(76,154)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,417)	594,738	96,701	687,022

Note: For the disposal of Ordos Shenchuan, the deferred consideration of RMB6,000,000 was received by the Group in January 2018.

e) Five Seasons XXII Limited and its wholly owned subsidiary, Five Seasons XXII Pte. Ltd (collectively referred to as "Five Seasons XXII Group")

On 26 July 2017, the Group disposed of its entire 100% equity interest in Five Seasons XXII Limited to FVF I L.P, a joint venture of the Group, for a consideration of US$1 (equivalent to approximately RMB7), together with the assignment of the shareholder loan ("**Shareholder Loan**") of SG$108,655,349 (equivalent to approximately RMB538,777,000) granted by the Company to Five Seasons XXII Pte. Ltd. to FVF I L.P. At the date of the disposal, Five Seasons XXII Group had no operation and mainly held deposits for potential acquisitions and a Shareholder's Loan of the same amount. No gain or loss was derived from this disposal.

For the year ended 31 December 2016

f) Fullshare Green Building Group Company Limited*（豐盛綠建集團有限公司）and its subsidiaries (collectively referred to as "Fullshare Lujian Group")

In June 2016, the Group disposed of its entire 100% equity interest in Fullshare Lujian Group to Jiasheng Construction Group Co., Ltd. ("**Jiasheng Construction**"), an independent third party, for a cash consideration of RMB240,000,000.

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2016 *(continued)*

f) Fullshare Lujian Group *(continued)*

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note14)	156,130
Prepaid land lease payments (note 16)	1,641
Goodwill (note 17)	1,474
Other intangible assets (note 18)	1,529
Investments in joint ventures	4,900
Financial assets designated as at fair value through profit or loss	10,419
Deferred tax assets (note 41(a))	380
Cash and cash equivalents	25,746
Trade and bills receivables	23,274
Prepayments, deposits and other receivables	123,114
Construction contracts	124,007
Tax prepaid	4
Trade and bills payables	(66,270)
Other payables and accruals	(179,607)
Taxation payable	(24)
Non-controlling interests	(1,000)
Net assets disposed of	225,717
Gain on disposal of subsidiaries	14,283
Cash consideration for disposal	240,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	240,000
Cash and cash equivalents disposed of	(25,746)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	214,254

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2016 *(continued)*

g) Fudaksu Pte. Ltd. and its subsidiaries (collectively referred to as "Ksubaka")

In December 2016, the Group disposed of all of its 51% equity interest in Ksubaka to Chinafair Investment Limited, an independent third party, for a cash consideration of approximately US$17,326,000 (equivalent to approximately RMB120,340,000).

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	15,923
Cash and cash equivalents	18,947
Trade and bills receivables	1,164
Prepayments, deposits and other receivables	31,000
Trade and bills payables	(1,586)
Other payable and accruals	(52,553)
Non-controlling interests	(6,318)
Net assets disposed of	6,577
Other reserve generated from the initial investment in the subsidiary	53,352
Exchange reserve	(3,713)
Gain on disposal of subsidiaries	64,124
Cash consideration for disposal	120,340

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	120,340
Unsettled consideration (Note)	(60,447)
Cash and cash equivalents disposed of	(18,947)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	40,946

Note:

Pursuant to the agreement, the consideration receivable of approximately US$8,663,000 (equivalent to RMB58,793,000) was fully settled in April and August 2017.

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2016 *(continued)*

h) Guangzhou Fullshare Healthcare and its subsidiary (collectively referred to as "Guangzhou Fullshare Healthcare Group")

In December 2016, the Group disposed of its entire 100% equity interest in Guangzhou Fullshare Healthcare to Jiasheng Construction, an independent third party, for a cash consideration of RMB55,000,000.

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	13,360
Investments in associates	39,601
Cash and cash equivalents	14,636
Trade and bills receivables	104
Prepayments, deposits and other receivables	77,073
Inventories	1,502
Trade and bills payables	(418)
Other payables and accruals	(136,318)
Net assets disposed of	9,540
Gain on disposal of subsidiaries	45,460
Cash consideration for disposal	55,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	55,000
Unsettled consideration (Note)	(27,500)
Cash and cash equivalents disposed of	(14,636)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	12,864

Note:

Pursuant to the agreement, the consideration receivable of RMB27,500,000 was fully settled in 2017.

46. DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2016 *(continued)*

i) New Best Zhong-Chuan Technology Co., Ltd.*（江蘇新貝斯中傳科技有限公司）("New Best")

In December 2016, The Group disposed of its 63% equity interest in New Best to 董曉君, an independent third party, for a cash consideration of RMB18,000,000.

The assets and liabilities of New Best at the disposal date were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	9,201
Investments in associates	590
Other intangible assets (note 18)	260
Inventories	46,860
Tax prepaid	8
Cash and cash equivalents	3,360
Trade and bills receivables	37,243
Prepayments, deposits and other receivables	6,204
Trade and bills payables	(44,835)
Other payables and accruals	(26,422)
Non-controlling interests	10,896
Net assets disposed of	43,365
Loss on disposal of a subsidiary	(25,365)
Cash consideration for disposal	18,000

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

	31 December 2016 RMB'000
Cash consideration	18,000
Unsettled consideration (Note)	(18,000)
Cash and cash equivalents disposed of	(3,360)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(3,360)

Note:

For the disposal of New Best, the first instalment of RMB12,000,000 was settled in January 2017, the second instalment of RMB6,000,000 will be settled before 30 December 2019.

47. CONTINGENT LIABILITIES

(a) As at 31 December 2017, contingent liabilities not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Guarantees given to banks in connection with mortgage facilities	**1,418,901**	1,680,063

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 upon the completion of guarantee registration and receipt of such certificate by the bank; and (ii) the satisfaction of mortgaged loan 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 penalties. Therefore, the financial guarantees measured at fair value are immaterial, and no provision has been made.

47. CONTINGENT LIABILITIES *(continued)*

(b) The subsidiary of CHS entered into an agreement (the "**Agreement**") effective from 1 January 2013 with a third party (the "**Subcontractor**"), pursuant to which, the subsidiary of CHS assigns the Subcontractor and the Subcontractor agrees to repair certain of the wind gear products sold by the subsidiary of CHS at a fixed fee at certain percentage of annual sales of those wind gear products of the subsidiary of CHS (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 subsidiary of CHS. 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 Group's consolidated financial statements at the end of the reporting period.

(c) At 31 December 2017, the Group provided guarantees to the Group's two (2016: one) associates and one former subsidiary (2016: N/A) in favour of their bank loans of RMB740,000,000 (2016: RMB236,000,000) in aggregate and RMB73,200,000 (2016: N/A) 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 RMB11,108,000 (2016: nil) has been recognised in the consolidated statement of financial position as liabilities.

48. PLEDGE OF ASSETS

As at 31 December 2017, certain assets of the Group were pledged to secure banking facilities (2016: convertible bonds and banking facilities) granted to the Group as follows:

	2017 RMB'000	2016 RMB'000
Properties under development	95,525	487,620
Investment properties	3,599,360	2,347,014
Property, plant and equipment	171,016	114,750
Trade and bills receivables	977,986	1,292,704
Prepaid land lease payments	58,170	178,482
Financial assets held for trading	–	2,459,408
Available-for-sale investments	200,000	–
Pledged bank deposits (note 31)	2,894,031	2,581,830
	7,996,088	9,461,808

As at 31 December 2017, the Group has pledged its 36% equity interest in CHS, a subsidiary of the group, for certain banking facilities granted to the Group (2016: nil).

As at 31 December 2016, the Group has pledged its 25% equity interest in Nanjing High Speed Gear Manufacturing Co. Ltd.*（南京高速齒輪制造有限公司）a subsidiary of the Group, for certain banking facilities granted to the Group. The pledge was released during the year ended 31 December 2017.

Details of the Group's bank and other borrowings which are secured by the assets of the Group are included in note 36 to the consolidated financial statements.

49. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	171,350	158,428
In the second to fifth years, inclusive	759,345	360,602
After five years	466,584	562,289
	1,397,279	1,081,319

49. OPERATING LEASE ARRANGEMENTS *(continued)*

(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, and those for office equipment are for terms ranging between two and five years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	33,230	10,559
In the second to fifth years, inclusive	115,639	3,568
After five years	121,175	–
	270,044	14,127

50. COMMITMENTS

In addition to the operating lease commitments detailed in note 49(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Properties under development	492,202	956,979
Land and buildings	62,400	90,277
Plant and machinery	238,758	274,316
Capital contributions payable to an associate	1,391,110	59,260
Investments in available-for-sale investments	635,000	980,000
	2,819,470	2,360,832

51. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	Notes	2017 RMB'000	2016 RMB'000
Associates:			
Sales of property, plant and equipment	(i)	–	49,441
Rental income and other charges	(ii)	706	13
Purchases of products	(iii)	104,194	5,627
Loans lent	(iv)	40,478	233,481
Receipt of money lent	(iv)	273,959	–
Interest income	(iv)	14,500	7,945
Joint ventures:			
Sales of products	(v)	10,997	1,473
Loan lent	(vi)	210,574	22,000
Interest income	(vi)	2,426	–
Receipt of money lent	(vi)	213,000	–
Other charges	(ii)	497	42
Purchases of products	(iii)	7,887	–
Loan received	(vii)	1,020,558	–
The Group's controlling shareholder and his close family member			
Sales of properties	(viii)	13,727	14,900
The associates of the Group's controlling shareholder:			
Green building design and consultancy service income	(ix)	13,764	37,776
Purchases of services	(ix)	221,701	1,222
Refund of deposits for potential acquisitions	(ix)	–	360,000
Sales of products	(ix)	240	–
The subsidiaries of the Group's controlling shareholder:			
Management service income	(ix)	5,352	7,530
Rental income	(ix)	–	1,469
Loans received	(x)	913,920	16,000
Loans repaid	(x)	121,160	–
Services rendered	(ix)	185	–
The associate of a key management personnel of the Group:			
Purchases of services	(xi)	–	1,007

51. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

(i) During the year ended 31 December 2016, the Group entered into sale and purchase agreements with Inner Mongolia Jingjing Photoelectric Technology Co., Ltd., a wholly-owned subsidiary of an associate, to dispose of certain plants and machineries for an aggregate consideration of approximately RMB57,846,000 (value added tax exclusive).

(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 12 January 2017, the Group entered into a contract with Applied to offer an interest-free loan of RMB15,000,000 and the loan was repayable on 29 June 2017 in accordance with the term of the contract. The Group entered into a contract with Jiansheng to lend RMB233,481,000 and RMB25,478,000 during the years ended 31 December 2016 and 2017 respectively, at an annual interest rate of 9%.The principal and interest due from Applied and Jiansheng have been fully received during the year ended 31 December 2017.

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

(vi) The Group entered into a contract with Five Seasons Cultural to lend RMB200,000,000 at an annual interest rate of 15% on 4 April 2017 and offered an interest-free loan of RMB10,574,000 during the year ended 31 December 2017. The principal and interest have been fully received in the year ended 31 December 2017.

51. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

(vii) On 28 December 2017, the Group entered into an agreement with Five Seasons Cultural to borrow RMB650,000,000 at an annual interest rate of 3% and the balance is repayable before 27 December 2018. On 13 March 2017, the Group entered into an agreement with FVF I L.P to borrow US$53,739,000 (equivalent to RMB370,558,000) at an annual interest rate of 8%. The repayable date is the earlier of (i) the listing date of equity stock of a specific project invested and held by the Group ("**Target**") in connection with an initial public offer of the Target or the borrower or another company that directly or indirectly controls the Target to be listed on a stock exchange specified in the agreement or other stock exchange agreed by both lender and borrower, (ii) the closing date of a sale by the borrower of all or more than 50% of the Target's shares to an independent third party, (iii) the date on which a change of control in the Target has occurred and (iv) the 3rd anniversary of utilisation date or extended to 4th anniversary if approved in writing by both the lender and the borrower.

(viii) Mr. Ji, and his close family member entered into contracts with Nanjing Tianyun Real Estate Development Company Limited, a subsidiary of the Group before disposal in June 2017, to purchase properties according to the common prices and conditions on the market.

(ix) 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.

(x) The Group entered into several contracts with Magnolia to: (a) borrow an interest-free loan of HK$224,000,000 (equivalent to RMB198,465,000) on 2 May 2017 with the maturity date of 30 June 2018, (b) borrow an interest-free loan of HKD680,000,000 (equivalent to RMB594,419,000) on 9 June 2017 and the maturity date is 30 June 2018, (c) borrow an interest-free loan of USD17,480,000 (equivalent to RMB115,742,000) on 1 November 2017 and the maturity date is 30 October 2018, among which HK$136,500,000 (equivalent to RMB115,866,000) has been repaid during the year; (d) borrow an interest-free loan of HK$4,000,000 (equivalent to RMB3,528,000) on 12 January 2017, which has been fully repaid on 30 June 2017 and (e) borrow and interest-free loan of HK$2,000,000 (equivalent to RMB1,766,000) on 27 February 2017, which has been fully repaid on 30 June 2017.

(xi) During the year ended 31 December 2016, the Company purchased market promotion services from a company owned by a former key management personnel of the Company according to the common prices and conditions on the market.

Except for the transactions with the Group's associates and joint ventures and payment/refund of deposits for potential acquisition, all the other related party transactions are all connected transactions, some of which have been reported and announced under Chapter 14A of the Listing Rules, others are exempted from reporting, announcement and shareholder approval requirements under the Listing Rules.

51. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties:

(i) At 31 December 2017, the Group provided financial guarantees to Nanjing Gaochuan in favour of Nanjing Gaochuan's bank loans of RMB320,000,000 (2016: RMB236,000,000) among which a loan of RMB20,000,000 would be mature on or before 12 January 2018 whereas another loan of RMB230,000,000 will be matured on or before 31 August 2018. The carrying amount of liability recorded arising from the financial guarantee was RMB11,108,000 as at 31 December 2017 (2016: nil).

(ii) At 31 December 2017, the Group provided guarantees to the Group's associate Jiansheng in favour of Jiansheng's entrusted loans of RMB420,000,000 (2016: N/A), 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 to a key management of Shenzhen Anke and certain entities controlled by the key management personnels of Shenzhen Anke. At 31 December 2017, the Group provided guarantees to Shenzhen Anke in favour of Shenzhen Anke's bank loans of RMB73,200,000, which will be matured on or before 2 November 2018. Further details of disposal are given in note 46(c) to the consolidated financial statements.

(c) Outstanding balances with related parties:

(1) Details of the Group's loan to its associate as at the end of the reporting period are included in note 20 to the consolidated financial statements.

(2) Details of the Group's trade balances with its joint ventures and associates as at the end of the reporting period are disclosed in notes 25 and 32 to the consolidated financial statements.

(3) Details of the Group's other receivables and payables with its joint ventures, associates, holding companies and related parties as at the end of the reporting period are disclosed in notes 26 and 33 to the consolidated financial statements.

51. RELATED PARTY TRANSACTIONS *(continued)*

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

	2017	2016
	RMB'000	RMB'000
Short term employee benefits	**20,439**	21,570
Post-employment benefits	**220**	334
Total compensation paid to key management personnel	**20,659**	21,904

Further details of directors' and chief executives' emoluments are included in note 9 to the consolidated financial statements.

(e) Business combination under common control

The following common control combinations occurred during the year ended 31 December 2016:

(1) On 17 May 2016, the Group acquired a 72.19% equity interest in Shenzhen Anke at an aggregate cash consideration of RMB140,000,000 from Mr. Ji, the controlling shareholder of the Company, and Nanjing Fullshare Industrial Holding Group Co. Limited*（南京豐盛產業控股集團有限公司）, which is controlled by Mr. Ji.

(2) On 4 July 2016, the Group entered into several business and land sale agreements with affiliates of Mr. Ji, the controlling shareholder of the Group, to purchase the respective rights and assets in operating the business of a hotel, villa management and country club and resort stores as well as certain land properties located in Australia at an aggregate consideration of AU$85,200,000 (equivalent to approximately RMB431,555,000) (collectively referred to as the "Five Seasons VI") and the consideration is subject to final adjustment calculation as disclosed in the circular of the Company dated 15 August 2016. The final consideration paid was approximately AU$83,360,000 (equivalent to approximately RMB425,969,000). The acquisition was completed on 9 November 2016. Among these acquisitions, the transfer of certain land properties was recognised as asset acquisition because the transaction only consist vacant land which has not been developed.

(3) On 12 August 2016, the Group entered into an agreement with Fullshare Group Pte. Ltd. to acquire the entire equity interests in Fullshare International Trade Pte. Ltd. at a cash consideration of HK$2,500,000 or the completion net asset value at the date of completion, whichever is lower. The acquisition was completed on 6 September 2016 with a final consideration of HK$1,871,000 (equivalent to approximately RMB1,612,000). Mr. Ji is also the ultimate controlling shareholder of Fullshare Group Pte. Ltd.

* *For identification purpose only*

51. RELATED PARTY TRANSACTIONS *(continued)*

(e) Business combination under common control *(continued)*

(4) On 21 April 2016, the Group entered into an agreement with a company ultimately controlled by Mr. Ji to acquire 100% of issued shares of Fullshare International (Australia) Turtle Point Hotel Pty Ltd, Fullshare International (Australia) Jagabara Pty Ltd, Fullshare International (Australia) Farms Pty Ltd, Fullshare International (Australia) Quarries Pty Ltd, Fullshare International (Australia) Marina Pty Ltd, Fullshare Laguna Management Pty Ltd, Fullshare International (Australia) Villa Pty Ltd, Fullshare International (Australia) Service Pty Ltd, Fullshare International (Australia) Pandanus Pty Ltd, Fullshare International (Australia) Ranges Pty Ltd, Fullshare International (Australia) Turtle Point Golf and Country Club Pty Ltd, Fullshare International (Australia) Bruce Pty Ltd, Fullshare International (Australia) Queens Hill Pty Ltd, and Fullshare International (Australia) Village Pty Ltd, (collectively, the "Target Companies") at an aggregate consideration of AU$29,224,000 (equivalent to RMB139,343,000). On the same day, the Group entered into the land sale agreement with a company ultimately controlled by Mr. Ji to acquire certain freehold land properties at an aggregate consideration of AU$18,776,000 (equivalent to RMB89,526,000). At the date of acquisition, the Target Companies only held certain freehold land properties which have not been developed. Accordingly, the acquisition of the Target Companies has been accounted for as acquisition of assets through acquisition of subsidiaries.

52. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Financial assets at fair value through profit or loss Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Structured bank deposits	–	–	110,000	–	110,000
Available-for-sale investments	–	–	–	4,894,177	4,894,177
Trade and bills receivables	–	–	6,650,273	–	6,650,273
Financial assets included in prepayments, deposits and other receivables	–	–	1,602,877	–	1,602,877
Consideration receivable	–	–	149,216	–	149,216
Loan receivables	–	–	3,325,751	–	3,325,751
Financial assets designated as at fair value through profit or loss	689,712	–	–	–	689,712
Financial assets held for trading	–	7,242,057	–	–	7,242,057
Pledged bank deposits	–	–	2,894,031	–	2,894,031
Restricted bank deposits	–	–	216,461	–	216,461
Cash and cash equivalents	–	–	5,221,679	–	5,221,679
	689,712	7,242,057	20,170,288	4,894,177	32,996,234

52. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2017 *(continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	6,814,951	6,814,951
Financial liabilities included in other payables and accruals	–	1,703,658	1,703,658
Bank and other borrowings	–	12,052,441	12,052,441
Derivative financial instruments	95,489	–	95,489
Corporate bonds	–	1,919,988	1,919,988
	95,489	22,491,038	22,586,527

52. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2016

Financial assets

	Financial assets at fair value through profit or loss Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Structured bank deposits	–	–	739,000	–	739,000
Available-for-sale investments	–	–	–	1,070,090	1,070,090
Trade and bills receivables	–	–	7,281,539	–	7,281,539
Financial assets included in prepayments, deposits and other receivables	–	–	1,744,103	–	1,744,103
Consideration receivable	–	–	139,847	–	139,847
Loan receivables	–	–	728,216	–	728,216
Loan to an associate	–	–	241,426	–	241,426
Financial assets designated as at fair value through profit or loss	526,351	–	–	–	526,351
Financial assets held for trading	–	5,537,114	–	–	5,537,114
Pledged bank deposits	–	–	2,581,830	–	2,581,830
Cash and cash equivalents	–	–	3,864,068	–	3,864,068
	526,351	5,537,114	17,320,029	1,070,090	24,453,584

52. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2016 *(continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	6,870,880	6,870,880
Financial liabilities included in other payables and accruals	–	1,736,547	1,736,547
Dividend payable	–	9,545	9,545
Embedded financial derivative portion of convertible bonds	2,895	–	2,895
Debt component of convertible bonds	–	20,786	20,786
Bank and other borrowings	–	8,975,918	8,975,918
Corporate bonds	–	8,387	8,387
	2,895	17,622,063	17,624,958

53. 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments:				
Listed equity investments	**590,393**	781,508	**590,393**	781,508
Financial assets designated as at fair value through profit or loss	**689,712**	526,351	**689,712**	526,351
Financial assets held for trading	**7,242,057**	5,537,114	**7,242,057**	5,537,114
Other receivables, non-current	**–**	551,524	**–**	559,154
Loan receivables	**3,325,751**	728,216	**3,347,115**	759,394
	11,847,913	8,124,713	**11,869,277**	8,163,521
Financial liabilities				
Embedded financial derivative portion of convertible bonds	**–**	2,895	**–**	2,895
Derivative financial instruments	**95,489**	–	**95,489**	–
Corporate bonds	**1,919,988**	8,387	**1,919,988**	8,387
Bank and other borrowings	**12,052,441**	8,975,918	**12,168,355**	9,109,388
	14,067,918	8,987,200	**14,183,832**	9,120,670

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, restricted bank deposit, structured bank deposits, loan to an associate, consideration receivable, certain financial assets included in prepayments, deposits and other receivables, trade and bills receivables, trade and bills payables, financial liabilities included in other payables and accruals, dividend payable and debt portion of convertible bonds approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair value of the non-current portion of loan receivables, other 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 31 December 2017 was assessed to be insignificant.

The fair values of financial assets designated as at fair value through profit or loss 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.

53. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of financial assets held for trading and listed equity investments included in available-for-sale investments were derived from quoted market prices in active markets.

The fair value of derivative financial instruments was determined based on the difference of contracted price and quoted market prices of the underlying instruments traded in active markets.

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 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
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

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Listed equity investments	781,508	–	–	781,508
Financial assets held for trading	5,537,114	–	–	5,537,114
Financial assets designated as at fair value through profit or loss	–	526,351	–	526,351
	6,318,622	526,351	–	6,844,973

53. 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) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	95,489	–	95,489

The Group determined the fair value of derivative financial instruments based on the quoted price on NASDAQ at 31 December 2017.

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Embedded financial derivatives portion of convertible bonds	–	–	2,895	2,895

53. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Liabilities measured at fair value: *(continued)*

A valuation on the Notes has been performed by Avista, an independent third party valuer, on 31 December 2016 by using the binomial method. The quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follows.

Description	31 December 2016 RMB'000	Valuation technique	Unobservable inputs	Adopted
Embedded financial derivatives	2,895	Binomial model	Credit spread (i)	8.00%
			Volatility (ii)	36.87%

Notes:

i. The credit spread adopted is determined with reference to the yield of other non-convertible instrument (or bonds) having the similar quality rating and similar investment characteristics.

ii. The volatility adopted was based on the average of the peer companies' volatilities (including the Company's volatility).

An increase in credit spread may result in an increase in the fair value of the derivatives. An increase in volatility may also result in an increase in the fair value of the derivatives.

The value of embedded financial derivatives varies with different variables of certain subjective assumptions, which have been made by the directors of the Company based on their best estimates.

During the year ended 31 December 2017, 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 (2016: nil).

53. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 31 December 2017

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

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Loan receivables	–	759,394	–	759,394
Other receivables, non-current	–	559,154	–	559,154
	–	1,318,548	–	1,318,548

Liabilities for which fair values are disclosed:

As at 31 December 2017

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

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bank and other borrowings	–	9,109,388	–	9,109,388

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivables, financial assets designed as at fair value through profit or loss, available-for-sale investments, financial assets held for trading, consideration receivables, trade and bills receivables, other receivables, pledged bank deposits, structured bank deposits, cash and cash equivalents, trade and other payables, bank and other borrowings, corporate bonds, convertible bonds and derivative financial investments. Details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (note 36), loan receivables (note 22), a loan to an associate (note 20) and corporate bonds (note 38).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (note 36). Management monitors the interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

The Group is also exposed to cash flow interest rate risk relates to pledged bank deposits and bank balances carried at prevailing market rates. However, such exposure is minimal to the Group as these bank balances are all short-term in nature.

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

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

For variable-rate bank and other borrowings, if the interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit after tax for the year ended 31 December 2017 would have decreased by approximately RMB10,915,000 (2016: RMB7,635,000).

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 25% (2016: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 5% (2016: 4%) of costs were not denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2017			
If the Hong Kong dollar weakens against the RMB	5%	(12,030)	(194,768)
If the Hong Kong dollar strengthens against the RMB	(5%)	12,030	194,768
If the United States dollar weakens against the RMB	5%	(6,203)	1,054
If the United States dollar strengthens against the RMB	(5%)	6,203	(1,054)
If the Euro weakens against the RMB	5%	(5,532)	2
If the Euro strengthens against the RMB	(5%)	5,532	(2)
If the Australia dollar weakens against the RMB	5%	(404)	6,704
If the Australia dollar strengthens against the RMB	(5%)	404	(6,704)

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2016			
If the Hong Kong dollar weakens against the RMB	5%	(7,600)	(82,503)
If the Hong Kong dollar strengthens against the RMB	(5%)	7,600	82,503
If the United States dollar weakens against the RMB	5%	(64,691)	896
If the United States dollar strengthens against the RMB	(5%)	64,691	(896)
If the Euro weakens against the RMB	5%	(14,931)	–
If the Euro strengthens against the RMB	(5%)	14,931	–

* Excluding retained profits

Equity price risk

The Group's price risk is mainly exposed to equity price risk through its investments in listed equity securities and certain derivative financial instruments. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange and NASDAQ. The Group closely monitors the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower, the profit after tax and other comprehensive income after tax for the year ended 31 December 2017 would have increased/decreased by approximately RMB614,261,000 and RMB32,950,000, respectively (2016: RMB462,349,000 and RMB58,613,000) as a result of the changes in fair value of the equity instruments.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group has no significant concentration of credit risk on its trade and other receivables as the exposures spread over a number of counterparties. In order to further minimise the credit risk on its trade and other receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit rating agencies.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties, which were approximately RMB1,418,901,000 (2016: RMB1,680,063,000) as at 31 December 2017. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the directors of the Company consider that the Group would recover any loss that may arise from the guarantees provided by the Group.

The Group's concentration of credit risk by geographical location arises mainly in the PRC.

Liquidity risk

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

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

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

	2017					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings	–	1,649,806	7,551,637	2,760,078	872,623	12,834,144
Trade and bills payables	177,906	1,587,130	5,049,915	–	–	6,814,951
Other payables and accruals	1,236,724	307,972	147,854	–	–	1,692,550
Financial guarantee contracts	1,418,901	39,380	273,918	479,836	140,575	2,352,610
Derivative financial instruments	95,489	–	–	–	–	95,489
Corporate bonds	–	150	457	2,460,588	–	2,461,195
	2,929,020	3,584,438	13,023,781	5,700,502	1,013,198	26,250,939

	2016					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings	160,794	1,763,420	4,696,967	2,191,314	876,143	9,688,638
Trade and bills payables	68,734	1,643,450	5,158,696	–	–	6,870,880
Other payables and accruals	1,225,658	270,596	240,293	–	–	1,736,547
Financial guarantee contracts	1,680,063	3,336	243,896	–	–	1,927,295
Dividend payable	9,545	–	–	–	–	9,545
Corporate bonds	–	161	491	11,215	–	11,867
Convertible bonds	–	–	22,497	–	–	22,497
	3,144,794	3,680,963	10,362,840	2,202,529	876,143	20,267,269

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

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

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

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

	2017	2016
	RMB'000	RMB'000
		(Restated)
Bank and other borrowings	**12,052,441**	8,975,918
Obligation under finance leases	**–**	7,007
Convertible bonds	**–**	23,681
Corporate bonds	**1,919,988**	8,387
	13,972,429	9,014,993
Non-current assets	**22,793,129**	19,935,587
Current assets	**31,630,524**	28,477,128
Total assets	**54,423,653**	48,412,715
Gearing ratio	**26%**	19%

55. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 January 2018, Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.*（南京高精傳動設備制造集團有限公司）a subsidiary of the Group, issued a corporate bond of RMB500,000,000, which carries an interest rate of 7.5% per annum with a term of not more than 5 years.

(b) On 17 January 2018, each of Five Seasons XVI Limited (a wholly-owned subsidiary of the Company) ("**Five Seasons XVI**") and Mr. Ji entered into a non-legally binding memorandum of understanding ("**MOU**") with an independent third party, Neoglory Prosperity Inc.*（新光圓成股份有限公司）, a PRC company listed on the Shenzhen Stock Exchange (002147.SZSE) ("**Potential Offeror**"), respectively, in relation to a possible conditional voluntary partial cash offer for more than 50% but not exceeding 75% of the issued capital of CHS, one of the principal subsidiaries of the Company whose shares are listed on the Hong Kong Stock Exchange ("**Proposed Offer**"). Subsequent to the entering into of the MOU, the Potential Offeror and Five Seasons XVI have been in discussions of a possible sale and purchase of Five Seasons XVI' 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 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 ("**Possible Disposal**"). As at the date of approval of the 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 Transaction or the Possible Disposal have been agreed.

(c) On 9 February 2018, the Company, China Merchants Securities Asset Management Company Limited*（招商證券資產管理有限公司）and Ningbo Zhongbang Chanrong Holding Company Limited*（寧波眾邦產融控股有限公司）, both being limited partners of Ningbo Fengdong Investment Management Partnership Enterprise (Limited Partnership)*（寧波豐動投資管理合夥企業（有限合夥））("**Fund**") (collectively referred to as "**Limited Partners**") and Ningbo Zhongxin Wanbang Asset Management Company Limited*（寧波眾信萬邦資產管理有限公司）, being the general partner of the Fund entered into a forward sale and purchase agreement ("**Forward Purchase Agreement**") pursuant to which the Company has conditionally agreed to acquire from each of the Limited Partners their respective interests in the Fund at a maximum consideration of RMB3,342,506,567 which was determined with reference to the capital contributions made by the Limited Partners of an aggregate amount of RMB2,630,367,000 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 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.

* *For identification purpose only*

56. SHARE-BASED PAYMENT TRANSACTIONS

The Company's subsidiary, CHS, had adopted a share option scheme (the "**Scheme**") on 8 June 2007 for the primary purpose of providing incentives to directors and eligible employees, and expired on 8 June 2017. Under the Scheme, the board of directors of CHS may grant options to:

(i) any full-time or part-time employees, executives or officers of CHS or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of CHS or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to CHS or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the board of directors of CHS, will contribute or have contributed to CHS and its subsidiaries ("**CHS group**"), of which the assessment criteria are:

- contribution to the development and performance of CHS group;

- quality of work performed for CHS group;

- initiative and commitment in performing his/her duties; and

- length of service or contribution to CHS group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of CHS in issue at any point of time, without prior approval from CHS's shareholders to refresh the said limit to not exceed 30% of the issued share capital of CHS from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of CHS in issue at any point in time, without prior approval from CHS's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of CHS's share capital or with a value in excess of HK$5 million must be approved in advance by CHS's shareholders.

Option granted must be taken up within 12 months of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the 10th anniversary of the date of grant. The exercise price is determined by the directors of CHS, and must be at least the higher of (i) the closing price of CHS's shares on the date of grant, (ii) the average closing price of CHS's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of CHS's share.

No share option was granted by CHS in 2016 and 2017, and the Scheme expired in 2017.

57. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2016, the Group had acquired certain subsidiaries by share consideration. Details of the acquisitions are set out in notes 45(e)and (f) to the consolidated financial statements.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	Convertible bonds RMB'000	Obligations under finance leases RMB'000	Corporate bonds RMB'000
At 1 January 2017	8,975,918	23,681	7,007	8,387
Changes from financing cash flows	3,653,708	(21,035)	(7,007)	1,911,388
Changes in fair value of the derivative component of convertible bonds	–	(2,743)	–	–
Foreign exchange movement	(125,609)	(1,317)	–	(621)
Interest expense	–	1,414	–	834
Decrease arising from disposal of subsidiaries	(645,210)	–	–	–
Increase arising from acquisitions of subsidiaries	193,634	–	–	–
At 31 December 2017	12,052,441	–	–	1,919,988

58. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,618	1,848
Investments in subsidiaries	2,120,836	2,120,836
Total non-current assets	2,122,454	2,122,684
CURRENT ASSETS		
Deposit paid for potential acquisitions	–	33,897
Due from subsidiaries	15,500,382	15,686,545
Prepayments, deposits and other receivables	19,621	2,849
Pledged bank deposits	–	22,272
Cash and cash equivalents	34,497	58,237
Total current assets	15,554,500	15,803,800
CURRENT LIABILITIES		
Due to subsidiaries	85,478	1
Other payables and accruals	24,449	10,894
Convertible bonds	–	23,681
Bank and other borrowings	1,137,670	–
Taxation payable	4,088	4,088
Total current liabilities	1,251,685	38,664
NET CURRENT ASSETS	14,302,815	15,765,136
TOTAL ASSETS LESS CURRENT LIABILITIES	16,425,269	17,887,820
NON-CURRENT LIABILITIES		
Corporate bonds	7,970	8,387
Deferred tax liabilities	44,390	14,797
Total non-current liabilities	52,360	23,184
Net assets	16,372,909	17,864,636
EQUITY		
Share capital	161,084	161,084
Equity reserve	422,833	422,833
Reserves	15,788,992	17,280,719
Total equity	16,372,909	17,864,636

58. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Other reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 31 December 2015	3,434,961	82,603	(485,080)	88,724	3,121,208
Final 2015 dividend declared	(156,381)	–	–	–	(156,381)
Total comprehensive income for the year	–	–	–	230,228	230,228
Issue of shares	1,718,977	–	–	–	1,718,977
Issue of shares upon conversion of convertible bonds	172,911	–	–	–	172,911
Acquisitions of subsidiaries	12,275,000	–	–	–	12,275,000
Acquisition of an associate	341,609	–	–	–	341,609
At 31 December 2016	17,787,077	82,603	(485,080)	318,952	17,703,552
Final 2016 dividend declared	(295,936)	–	–	–	(295,936)
Total comprehensive loss for the year	–	–	–	(1,195,791)	(1,195,791)
At 31 December 2017	17,491,141	82,603	(485,080)	(876,839)	16,211,825

59. COMPARATIVE AMOUNTS

During the year, certain comparative figures in respect of the year ended 31 December 2016 have been reclassified to conform with the current year's presentation.

60. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2013 RMB'000 (note 5)	2014 RMB'000 (Restated) (note 4)	2015 RMB'000 (Restated) (note 3)	2016 RMB'000 (Restated) (note 2)	**2017** **RMB'000** (note 1)
RESULTS					
Revenue	859,393	793,403	3,095,611	4,311,423	**11,026,457**
Profit before tax	(113,255)	(1,005,262)	1,446,352	3,743,202	**3,112,891**
Income tax expense	(88,083)	(59,481)	(226,430)	(740,918)	**(976,427)**
(Loss)/profit for the year from continuing operations	(201,338)	(1,064,743)	1,219,922	3,002,284	**2,136,464**
Loss for the year from discontinued operation	(32,042)	–	–	–	**–**
(Loss)/profit for the year	(233,380)	(1,064,743)	1,219,922	3,002,284	**2,136,464**
Attributable to:					
Owners of the Company	(241,746)	(1,070,988)	1,217,827	3,086,019	**2,267,453**
Non-controlling interests	8,366	6,245	2,095	(83,735)	**(130,989)**
	(233,380)	(1,064,743)	1,219,922	3,002,284	**2,136,464**
ASSETS AND LIABILITIES					
Total assets	1,465,497	4,423,736	9,366,366	48,412,715	**54,423,653**
Total liabilities	(1,660,242)	(2,254,889)	(4,048,130)	(22,099,045)	**(27,219,954)**
Total (capital deficiency)/equity	(194,745)	2,168,847	5,318,236	26,313,670	**27,203,699**
Attributable to:					
Owners of the Company	(222,574)	1,960,129	5,082,000	22,538,300	**23,991,436**
Non-controlling interests	27,829	208,718	236,236	3,775,370	**3,212,263**
	(194,745)	2,168,847	5,318,236	26,313,670	**27,203,699**

Five Year Financial Summary

Notes:

1) The financial figures for the year ended 2017 were extracted from the consolidated financial statements.

2) The financial figures for the year ended 2016 have been restated due to the completion of the purchase price allocation of certain business combinations took place the year ended 31 December 2016, as disclosed in note 2.4 to the consolidated financial statements.

3) The financial figures for the year ended 2015 were extracted from the 2016 annual report and the financial figures has been restated due to application of merger accounting for business combination under common in respect of the acquisition of Shenzhen Anke Group, Five Seasons VI and Fullshare Group Pte. Ltd. No retrospective adjustment for the common control combinations during the Year 2017 were made on the financial figures for the year 2015.

4) The financial figures for the year ended 2014 was extracted from 2015 annual report and the financial figures has been restated due to application of merger accounting for business combination under common control in respect of the acquisition of Nanjing Fullshare Property Dazu Technology Company Limited and New Energy Group. No retrospective adjustment for the common control combinations during the Year 2017 were made on the financial figures for the year 2014.

5) The financial figures for the year 2013 was extracted from 2014 annual report and the financial figures for the year 2013 have been prepared as a continuation of the consolidated financial statements of Nanjing Fullshare Asset Management, being the acquirer of the Company for accounting purposes in a very substantial acquisition and reverse takeover completed on 12 December 2013. No retrospective adjustment for the common control combinations during the Year 2017 were made on the financial figures for the year 2013.